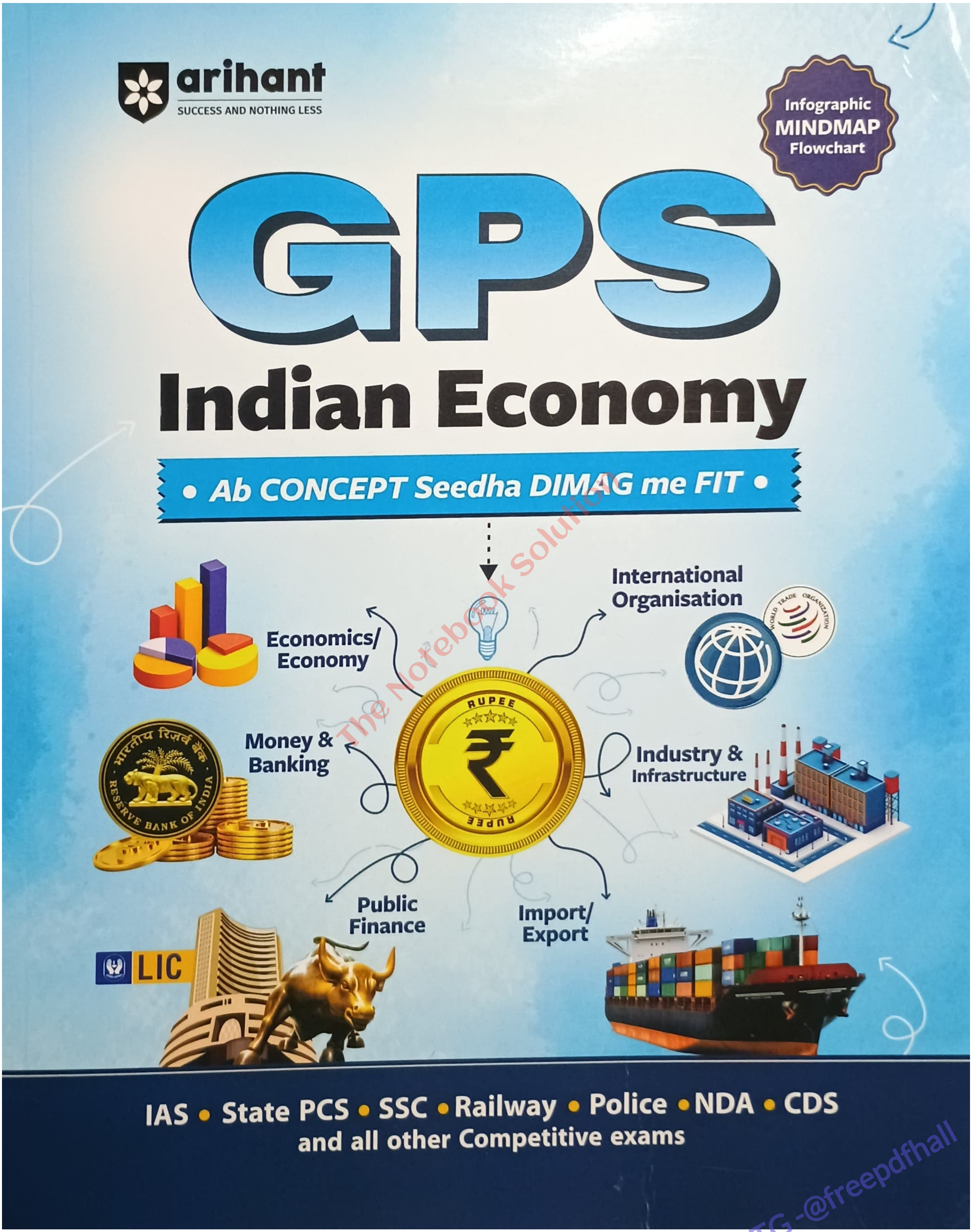

arihant
SUCCESS AND NOTHING LESS

Infographic
MINDMAP
Flowchart

GPS
Indian Economy

• Ab CONCEPT Seedha DIMAG me FIT •

Economics/ Economy
International Organisation
Money & Banking
Industry & Infrastructure
Public Finance
Import/ Export
RUPEE
₹
LIC
RESERVE BANK OF INDIA
भारतीय रिज़र्व बैंक
WORLD TRADE ORGANIZATION

IAS • State PCS • SSC • Railway • Police • NDA • CDS
and all other Competitive exams

Topic Tracker

Economy

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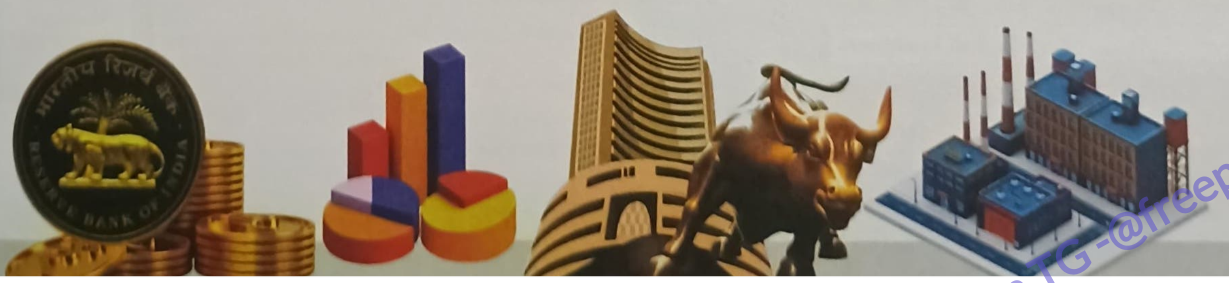


01 Economics: An Introduction

What is Economics

A branch of social science which deals with studies of production ,consumption , exchange and distribution

Major Definitions

Adam Smith

"Science of wealth"

Alfred Marshall

"Economics is the study of human behaviour"

Lionel Robbins

" Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses

Karl Marx

" The objective of economics is to discover the laws of the progress of human society"

Origin of Economics

The word Economics originated from Greek word Oikonomia

Oikonomia → Made from two words

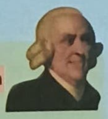
└→ **Oikos** + **Nemein**

└→ **Domestic** └→ **Management**

Aristotle The Science of Household Management

Father of Economics

- Renowned economist Adam Smith
- Father of Indian Economics Kautilya/ Vishnu Gupta/Chanakya



Famous Books of Economics

- An Inquiry into the Nature and Causes of the Wealth of Nations (1776) - Adam Smith
- Principles of Economics (1890) -**Alfred Marshall**
- Nature and Significance of Economic Science (1932) - **Lionel Robbins**
- Das Kapital (1867) - Karl Marx
- The General Theory of Employment, Interest and Money (1936) -**J.M.Keynes**

Branches of Economics

First use of Micro and Macro Words

Norwegian Economist - Ragnar Anton Kittil Frisch (1895-1973)

Micro Economics

The origin of word 'Micro' orginates from Greek word- Mikro

The 'Mikro' word means- micro or small

Subject of Study

Economic problems related to individual behaviour of human beings and small economic units and issues

Example- A Consumer ,A Firm , A Producer , A Market, etc

Objective

To keep the demand and supply management in the market.

Identify the elements of consumption and demand

Components

Price Theory

- Principle of Demand
- Principle of Production and Cost

Factor Price Theory

- Rent
- Wages
- Interest
- Profit

Philosophy of Economic Welfare

Macro Economics

Founder J.M.Keynes

Meaning Derived from the Greek word 'makros' meaning large or big

Study The interdependence of regional, national, and international economies

Objective To improve the standard of living and achieve stable economic development

Components

Principle of Income and Employment

- Principle of Consumption
- Principle of Investment

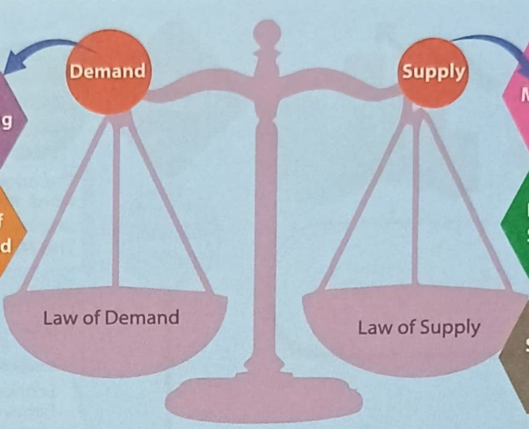
Principle of General Price Level and Inflation

Principle of Business Cycle

Principle of Economic Development

- Theory of Macro Analysis of Distribution
- Monetary Policy
- Fiscal Policy

02 Law of Demand and Supply



Demand

Meaning: A person's desire for a commodity ,willingness to buy and ability to pay

Law of Demand: Represents the inverse relationship between quantity demanded and price of a commodity

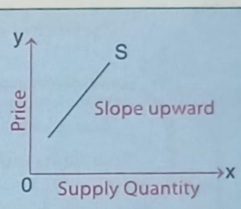
- When price decreases, demand increases
- When price increases, demand decreases

Supply

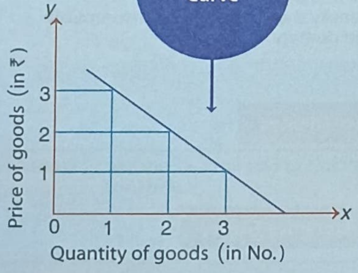
Meaning: Different quantities of a commodity that a producer is willing to sell at different prices during a certain period of time

Law of Supply:
- Positive relationship between supply and price of a commodity
- More supply at higher price
- Less supply at lower price.

Supply Curve



Demand Curve



Slope → Generally, slopes downward from left to right

When price is ₹1, the quantity demanded is 3 units

When price is ₹3, the quantity demanded is 1 unit

Exceptions to the Law of Demand

Giffen goods(Also called Sir Robert Giffen's goods)
- Demand increases when price rises
- Demand curve slopes upward
- Cereals (barley) etc.
- Bread, salt

Prestige goods
- Luxury goods
- Expensive cars, phones, etc
- Veblen Goods (named after Thorstein Veblen)

Inferior goods
- When income increases, the demand for these goods decreases

Effects of Income and Price On Goods
Income Effect-Impact on income due to change in price
Price Effect-Change in demand due to change in price

Note :- First explanation was given by **Alfred Marshall.**

Normal Goods
- 01 Income Effect Positive (+)
- 02 Price Effect Negative (–)

Inferior Goods
- Income Effect Negative (–)

Giffen Goods (upward sloping)
- Income Effect Negative (–)
- Price Effect Positive (+)

Forms of Market

Monopolistic Competition

Many buyer's and seller's goods differ from each other

Product Differentiation

- **Design**
- **Colour**
- **Shape**

Wide variety of brands like, Toothpaste-Colgate, Closeup, etc

Perfect Competition

- Firms free entry and exit
- Large numbers of buyers and sellers
- **Example** Fruit market, cereals market
- Uniform Price & identical items

Monopoly

- Example : Indian Railways
- No close substitute for the product
- Restrictions on entry of firms
- Complete control over Price
- Only one seller of the product

Oligopoly

- Limited number of firms
- Large number of buyers
- Barriers to entry/not easy
- A firm's pricing decisions are closely related to its production decisions.
- Example : A firm's in the auto market; like Ford, Audi, Toyata, etc

Duopoly
↓
Only two vendors

Elasticity of Demand

Expressing the amount of Change in demand for a good due to a change in the price.

Income Elasticity of Demand

- When the change in the quantity demanded of a good is measured in relation to the change in the buyer's income
- **Income Elasticity of Demand** $= \frac{\text{\% Change in Demand}}{\text{\% Change in Income}}$
- **Example** → 5% increases in income → 15% increases in demand
- **Income Elasticity of Demand** $= \frac{15}{5} = 3$

Cross Elasticity of Demand

- When the change in the quantity demanded of a good is measured in relation to the change in the price of another related good (substitute or complementary)
- Cross Elasticity of Demand

$$Ec = \frac{\text{\% Change in Quantity Demand of good}}{\text{\% Change in Price of Related good}}$$

Price Elasticity of Demand

- When the change in the quantity demanded of a goods measured in relation to the change in its price
- **Price Elasticity of Demand**

$$Ep = \frac{\text{\% Change in Quantity Demanded}}{\text{\% Change in Price}}$$

Types of Price Elasticity of Demand

Perfectly Elastic Demand
- Even a small change in the price causes a big change in demand i,e., customers want to buy the item at a certain price
- $Ed = \infty$ (infinite)
- Demand curve is parallel to X-axis

Perfectly Inelastic Demand
- Changing the price has no effect on the demand
- $Ed = 0$
- Demand curve is parallel to Y-axis

Unitary Elastic Demand (equal to unit)
- The change in demand is equal to the change in price
- $Ed = 1$
- Demand curve is a rectangular hyperbola

Elastic Demand (more than unit)
- A small change in price can cause a greater change in demand
- $Ed > 1$
- Demand curve has a gentle slope

Inelastic Demand (less than unit)
- There is very little change in demand when the price change
- $Ed < 1$
- Demand curve has a steep slop

03 Economy and Its Types

Economy

Meaning
House/ Household ← Eco
Nomy → Management / Rules

Related to all economic activities of any country

Major Activities

Economic Activities
- → Activities related to earning money
- → Like doctors, teachers, businessmen

Non-economic Activities
- → Humanitarian activities instead of earning money
- → Like
  - → Social Activities
  - → Religious Activities

Types of Economies

Capitalist Economy
- **Beginning** with Adam Smith Book- 'The Wealth of Nations'
- **Decisions on the Price of Production**
  - *By Demand and Supply*
  - *By Market Forces*
- Role in Government: negligible/minimal
- **Objective** : Earn Profit
- **Freedom**
  - *Complete economic freedom*
  - *Laissez-faire economy*
- **Resources**
  - *Personal ownership*
  - *Unequal distribution*
- **Examples**
  - *America*
  - *Britain*

Socialist Economy
- **First Coined by** : Karl Marx (German philosopher)
- The role of government
  - *Important role*
  - *State Main Power*
- **Purpose** : Social Welfare
- **Freedom** : Lack of Economic Freedom and lack of individual ownership over resources
- **Example** : Former Soviet Union (present-day Russia)

Mixed Economy
- Included Area → *Private Sector* + *Public*
  - Both
- **Government's role** : Limited role
- **Objectives** : Social Welfare and Benefits
- **Income distribution** : Less unequal distribution
- **Examples** : Indian Economy

Open Economy
- **Relations with** : External economies
- **Supremacy** : Liberal and private economic elements
- **Import-Export** : Minimum Restriction
- **Example** :-
  - Hong Kong
  - Singapore

Close Economy
- **External relations** : No relation to external economy
- **Import-Export** : Zero Activities
- **Examples** : North Korea

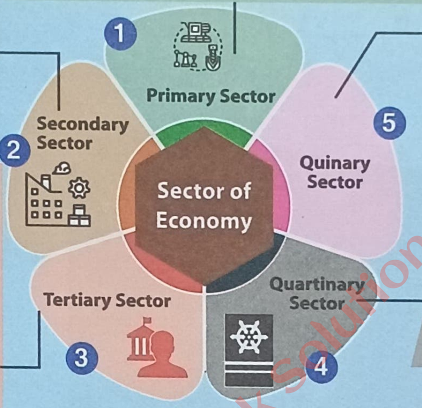
Developing Economy
- Income compared to developed countries
  - *Low National Income*
  - *Low Per Capita Income*
- **Industrial Level** - Low Level
- **Standard of living** – Low standard of living
- **Example**
  - India
  - China
  - Brazil
- Low savings
- Low capital formation

Developed Economy
- **Industrial Level**: High Level
- **Primacy in the Economy**: Tertiary Sector
- **Standard of living**: High standard
- **Income**:-
  - *National income more*
  - *Higher per capita income*

Under Developed Economy
- **Resources not fully utilised**
  - *Natural Resources*
  - *Physical Resources*
  - *Human Resource*
- **Low levels**
  - Economic development
  - People's living standard
- **Example**-African countries
  - Somalia
  - Chad
  - Nigeria

Features of Indian Economy
- Primary activity is Agriculture and Technological Backwardness in Agriculture
- Population Growth
- Problem of Unemployment
- Low Per Capita Income and Standard of Living
- Lack of Adequate Capital
- Distribution of Defective Property (unequal distribution)
- Low Rate of Capital Formation

04 Sector and Sizes of Economy



1. Primary Sector

- Contribution to GVA – 19.8%
- **Other Name** - Agricultural sector
- **Depends** - directly on the environment
- **Received as Product** - Natural Resources
- **Enclosed Area** - Agriculture, animal husbandry, forestry, fisheries mining/quarrying etc.
- **People associated** - Red Collar Jobs

2. Secondary Sector

- **Contribution to GVA** – 25.2%
- **Other Name** → Industrial Areas
- **Use of Raw Material** → Products of Primary Sector
- **Activity Involved**
  - Construction of Fixed Property, Building, etc
  - Manufacturing, Textiles etc.
  - Electricity, Gas ,Water Supply etc.
- **People associated** - Blue Collar Jobs

3. Tertiary Sector

- **Contribution to GVA** - 55%
- **Other Name** -Service Sector
- **Service Delivery** – Primary & Secondary Sector
- **Activity involved**
  - Transport
  - Communication
  - Banking & Insurance
  - Business
  - Storage
  - Medical
  - Maritime Service
  - Public Administration and Immunity
- **People associated** - White Collar Jobs

4. Quartinary Sector

- Also known as: Knowledge sector
- Collection and study of information
- **Included Area**
  - Intellectual Activities
  - Technique
  - Managerial Skills
  - Research and Researcher
- **People associated** - Pink Collar Job

5. Quinary Sector

- High level decisions
- Creating new ideas
- Reinterpretation of old ideas
- Universities
- Media
- Science
- Politics
- **People associated** - Gold Collar Jobs

Size of Indian Economy

- On the basis of GDP - **4th** in the world
  - Four Others: America, China, Germany, India
- On the basis of PPP - 3rd in the world
  - America, China, India

Classification of World Bank

- 01 **Low-income economy** → $1145 or Less
- 02 **Lower middle income economy** → $1146 - 4515 (India is included in this category)
- 03 **Upper middle income economy** → $4516 – 14005
- 04 **High-income economy** Above $14005

Different Types of Commodities

Public Goods
- Accessible by all
- Available for all
- Use by one does not reduce the use of the other
- **Example** – Air – Water

Private Goods
- Not available to everyone
- Benefit to the buyer only
- Available through the market
- **Example** – Car – Motorcycle

Man-Made Goods
- Neither public, nor private
- Traits of both
- **Example** - Road constructed under PPP Model

Local Goods
- Benefits to the local people
- **Example** -Village Dharamshala etc

Normal Goods
- Demand increases as the buyer's income increases

Merit commodities
- Essential for a specific community.
- Provided by the government through the budget
- **Example**- Education, Healthcare, Housing etc

05 Economic Growth and Economic Development

Meaning - Quantitative increase in a country's real output or real income, typically measured as an increase in real GDP or per capita income

Economic Growth

Growth Rate

Formula for Measurement :

$$\frac{NNP_1 - NNP_0}{NNP_0} \times 100$$

- NNP_0 = Previous year's NNP (Constant Price)
- NNP_1 = Current year's NNP (Constant Price)

Limits to Growth (1972)

By the Club of Rome

Methods of Measuring Growth

- **Gross Domestic Product** (GDP) : The final monetary value of goods and services produced within a country's domestic boundaries in a year
- **Net Domestic Product** (NDP) : (GDP– Depreciation on Capital Goods)
- **Gross National Product** (GNP) : (GDP + Income earned by Indians abroad – Income earned in India by foreigners)
- **Net National Product** (NNP) = (GNP –depreciation

Most Useful Indicator

Per Capita Real Income

$$= \frac{\text{Real National Income of the Country}}{\text{Total Population of the Country}}$$

Rostow's Theory of Economic Growth (Published in 1960)

Stage 1

Stage of Traditional Society
↓
Dominance of agriculture and barter system of exchange

Stage 2

Condition before Take-off
↓
Expansion of specialisation surplus status and development

Stage 3

(Take-off) State
↓
Industrialisation and regional development

Stage 4

Stage of Maturity
↓
Diversification, innovation and increase in investment

Stage 5

Age of High Mass Consumption
↓
Dominance of consumer centric service sector

Economic Development

Introduction

- Optimal and sustainable use of Resources
- Sustained and long term growth in national income and per capita income
- Improvement in human living standards
- Related to both qualitative and quantitative changes
- **Dependent** Capital formation market depends on the size of the market and natural resources

Amartya Sen - Nobel Prize (1998)
Welfare economics and social choice theory

Economic Growth Rate

$$\frac{GDP_1 - GDP_0}{GDP_0} \times 100$$

GDP_1 = Current GDP

GDP_0 = GDP of the Previous year

Kuznets Curve

Imp

Income inequality — Economic Development

Show the relationship between them

Five Approaches to Measuring Economic Development

01 Basic Needs Approach

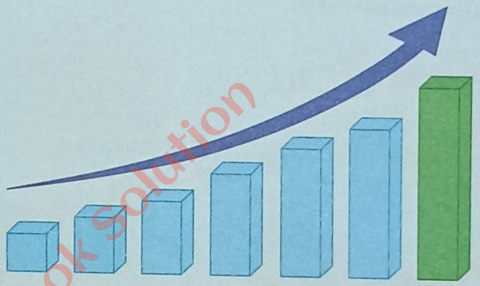
Propounded by International Labour Organisatinon (ILO)

02 Physical Quality of life Index (PQLI)

Propounder
↓
Morris D. Morris (1979)

Value
↓
- Maximum-100
- Minimum – 1

Indicators
↓
- Life Expectancy
- Infant Mortality Rate
- Basic Literacy



03 Net Economic Welfare (NEW)

Economic Welfare (MEW) Modified form of Nordhaus and Tobin's method

Put forward by
↓
Samuelson (1972)

04 Purchasing Power Parity Method (PPP)

- First used by – **IMF (1993)**
- Presently used by World Bank
- Determination of countries comparative living standards

05 Human Development Index, (HDI)

01	Propounder	• Year: 1990 • Conceptualised by: Mahbub-ul-Haq, Amartya Sen, and others • Associated with United Nations Development Programme (UNDP)
02	Initiated/ Published	• Since 1990, released annually (by UNDP)
03	Value	• Maximum - 1 • Minimum - 0
04	HDI in India	• First ever state ,which start publication of HDI in India • Madhya Pradesh (1995)
05	India's Ranking(Total countries-193)	130 (as per 2025 report)
06	Indicators	• Life Expectancy at Birth • Education • Per Capita Income

06 Sustainable Development

Concept of Sustainable Development

Initial Discussions on Sustainable Development

- Cocoyoc Declaration on Environment and Development, 1974
- 'Limits to Growth' report released in 1972 by the Club of Rome

The term was first used by Brundtland Commission

- **Official Name** – World Commission on Environment and Development (WCED)

- **Formation** - Year 1983
- **President** - Gro Harlem Brundtland (Former Prime Minister of Norway)

Report Title - Our Common Future (1987)

↓

- **Definition**- Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Agenda-21

- At the Earth Summit in 1992
- In Rio de Janeiro, Brazil

Adopted

- United Nations Action Plan
- Promote Sustainable Development

Elements of Sustainable Development

Economy
- Rural development
- Urban development
- Industries

Society
- Health, Employment
- Protection of Vulnerable Section of society such as Women and Children
- Social Security, Education

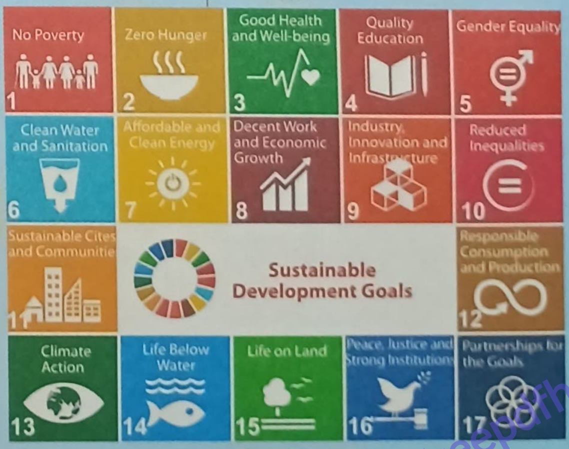
Environment
- Land
- Water
- Energy & Power
- Environmental Awareness
- Science

Dimensions of Sustainable Development

- Social
- Economic
- Environmental
- Institutional
- Digital

India's Sustainable Development Goals

- Nodal Agency ↓ NITI Aayog
- SDGs India Index and Dashboard
  - Released on annual basis since 2018
  - Issuer ↓ NITI Aayog


No Poverty 1
Zero Hunger 2
Good Health and Well-being 3
Quality Education 4
Gender Equality 5
Clean Water and Sanitation 6
Affordable and Clean Energy 7
Decent Work and Economic Growth 8
Industry, Innovation and Infrastructure 9
Reduced Inequalities 10
Sustainable Cites and Communitie 11
Sustainable Development Goals
Responsible Consumption and Production 12
Climate Action 13
Life Below Water 14
Life on Land 15
Peace, Justice and Strong Institutions 16
Partnerships for the Goals 17

17 Goals (SDGs)

Sustainable Development Goals (SDGs)

- Approval of the UN General Assembly -September, 2015
- Effective/Applicable 1st January, 2016
- **Period** - Till the year 2030
- The principle of Universalism is the key to the global agenda : Leave no one behind
- Goals set by UN
- Total target - 17

Millennials Development Goals (MDGs)

- Passed by UN General Assembly
- **Period** ↓ From year 2000 to 2015
- Global Development Goals ↓ 8
  - Eradication of poverty and hunger
  - Universal primary education
  - Gender equality and women's empowerment
  - Reducing infant mortality rate
  - Promoting maternal health
  - Prevention of HIV/AIDS, Malaria and others diseases
  - Ensure environmental vigilance
  - Global partnership for development
- Associated Development Targets ↓ 18

07 Economic Planning in India

Concept of Economic Planning

- To achieve economic and social goals within a specific time period
- An organised effort
- To ensure proper use of natural economic and human resources

- Economic Planning in India
  - Inspired by Former Soviet Union
- First start in the world
- **Subject**- Concurrent List

- Former Soviet Union (present-day Russia)
- By Joseph Stalin
- In the year 1928

Concept of Planning

Purpose of Planning

- Economic growth
- Alleviation of economic and social inequality
- Increased opportunities of employment
- Eliminate poverty
- Achieving self-reliance and modernisation
- Balanced Regional Development

Major Schemes/Proposals for Economic Planning in India

1934
- By **M. Visvesvaraya**
- The book 'Planned Economy for India' was published

1938
- Formation of a National Planning Committee under the Chairmanship of Jawaharlal Nehru

1941
- Formation of sub-committee on post-war Economic Development
- Formed by the British Government
- Chairman- Prof. Ramaswamy Mudaliar

1944
- Bombay Plan presented
- By 8 industrialists of Bombay
- Chief-Ardeshir Dalal
- Gandhian Plan by Shriman Narayan

1945
- People's Plan –M N Roy

1950
- Sarvodaya Plan
- Jai Prakash Narayan

Kinds of Planning

Based on interrelationship between State and Market

Imperative Planning
- Important role of the state
- Centralised decision-making
- An apex institution at the central level

Indicative Planning
- Detemination of the scheme's objective by the state
- Private sector and market forces play major roles
- Starting from the Eighth Five Year Plan, 1992

Based on Procedure

Centralised Planning
- Important role of Central Organisation
- Decision taken at the central level

Decentralised Planning
- Decision by government, local bodies and individual entrepreneur
- Strategic planning

Based on Duration

Long-term Planning
- For a long-term
- **Generally:** 10 years or more
- **Example** – Vision 2047

Short-term Planning
- Annual base planning
- Short-term policies
- For a period of 3 or 4 years

Based on Regional Prevalance

National Planning
- Unit of Planning - Nation
- Determination of goals and policies at the national level
- **First country:** France

Territorial/ Regional Planning
- Designed with a focus on a specific region
- **Example**- Creation of development projects for North Eastern states

08 Institutions Related to Planning

Planning Commission

Establishment
- 15th March, 1950
- Under K.C. Neogi the Committee was constituted to give suggestions in community development programme in 1946

Function
- Plan formulation
- Mobilisation of resource
- Implementation of the Plan
- Plan evaluation or review
- Monitoring the progress of reforms and various central ministries

Trend
- Neither Constitutional nor statutory; extra-Constitutional, Advisory body (Non-Constitutional Body)

Chairman ↓ Prime Minister (Ex-officio)

Last ↓ Montek Singh Ahluwalia

First Chairman ↓ Jawaharlal Nehru

First Vice-Chairman ↓
- Gulzarilal Nanda
- Nominated by the Prime Minister

National Development Council

Establishment ↓ 6th August, 1952

Function ↓ Approval of Recommendations given by Planning Commission

Secretary ↓ Planning Commission (now NITI Aayog also serves as the secretary of the NDC

Chairman ↓ Prime Minister

Nature ↓ Extra Non-Constitutuional Constitutional

Committee ↓ K.C. Neogi

NITI Aayog

Establishment
- 1st January, 2015
- In place of Planning Commission
- By a Resolution of the Cabinet

Full Form
- National Institution for Transforming India

Work
- As a think tank of the Government
- Promotion of cooperative federalism
- Formulation of policy and programme
- Monitoring evaluation
- Nodal Agency for Sustainable Development

Reports
- SDG India Index
- Composite Water Management Index (CWMI)

Major Programme
- Aspirational District Programme
- Atal Innovation Mission

Formation
- **Chairman** → Prime Minister (Ex-officio)
- **Vice-Chairman**
  - **Appointed** by the Prime Minister
  - **Status** equivalent to Cabinet Minister
  - **First** Arvind Panagariya
  - **Present** Suman Bery
- **Governing Council** → Chief Ministers of all states Lieutenant Governors/Administrators of Union Territories
- **Special Invited Member**
  - Experts in various fields
  - Nominated by the Prime Minister
- **Full-time Member**
  - Appointed by the Prime Minister
  - Status equivalent to Minister of State
- **Part-time Member** → Maximum 2 (as Ex-officio members) from leading universities, research organisations and other administrative institutions
- **Ex-officio Member**
  - Nominated by the Prime Minister
  - Maximum four members from the Union Council of Ministers
- **Chief Executive Officer**
  - Secretary level officer of the Centre
  - **First** - Sindhu Sri Khullar
  - **Present** - BVR Subramaniam
- **Territorial Councils**
  - Affecting more than one state of issues
  - Formed as needed and for specific purposes/offices

Initiative
- 15-Year Roadmap
- 3 Year Action Plan
- Digital India and Atal Innovation
- 7-Year Vision Strategy
- India @75

Affiliate office
- National Institute for Labour Economics Research and Development (NILERD)
- Development Monitoring and Evaluation Office (DMEO)

09 Five Year Plans

1 Prime Minister- Jawaharlal Nehru

First Five-Year Plan (1st April,-1951– 31st March, -1956)

- **Prime Minister** - Jawahar Lal Nehru
- **Model** -Harrod Domar Model
- **Central focus** - Emphasis on agricultural development

Targeted Growth Rate

- 2.1% (Targeted)
- 3.6% (Achieved)

Successful

Major Initiatives

- Community Development Programme, 1952
- National Extension Service, 1953
- Bhakra Nangal Dam
- Hirakud Dam
- Damodar Valley Project

2 Prime Minister Jawaharlal Nehru

Second Five Year Plan (1956 – 1961)

- **Model**- PC Mahalanobis Model
- **Central focus** - Development of basic or heavy Industries

Targeted Growth Rate

- 4.5% (Targeted)
- 4.3% (Achieved)

Major Initiatives

- **Rourkela Steel Plant (Odisha)** - German Cooperation
- **Bhilai Steel Plant (Chhattisgarh)** - Russian Cooperation
- **Durgapur Steel Plant (West Bengal)** - UK Cooperation
- Second Industrial Policy, released in 1956

3 Prime Minister Jawaharlal Nehru

Third Five Year Plan (1961-66)

- **Model**- Sukhmaya Chakraborty and J. Sandy Model
- **Central focus**- Self-reliant, self-generating economy

Targeted Growth Rate

- 5.6% (Targeted)
- 2.8% (Achieved)

Failed

Major Initiatives

- Unit Trust of India (UTI), 1963
- Industrial Development Bank of India **(IDBI), 1964**
- Food Corporation of India (FCI), 1965
- Commission for Agricultural Costs and Prices (CACP), 1965

Others

- **Devaluation** - Second time of Rupee
- **War**
  - India-China – 1962
  - India- Pakistan – 1965

Plan Holiday (1966 – 69)

Three Annual Plans

❶ **Beginning of the Green Revolution**
- Father of the Green Revolution (World) - Norman E. Borlaug
- Father in India - MS Swaminathan

❷ **Lead Bank Scheme**
- Year 1969
- Recommendation of the Narasimham Committee

❸ **New Agricultural Scheme**

4 Prime Minister- Indira Gandhi

Fourth Five Year Plan (1969–1974)

- **Model**- Ashok Rudra-Menon Model (also known as D.R. Gadgil's model)
- **Central focus**: Achieving economic growth with stability and self-reliance

Targeted Growth Rate

- 5.7% (Targeted)
- 3.3% (Achieved)

Failed

Major Initiatives

- Nationalisation of 14 major commercial banks
- India's first nuclear test, 1974 (Similing Buddha)
- Drought Prone Areas Programme (DPAP), launched in 1973-1974
- Family Planning Programme
- White Revolution (Operation Flood) in 1970.
- Indo-Pak War, 1971
- Slogan: Garibi Hatao (Eradicate poverty)

5 (Prime Minister- Indira Gandhi)

Fifth Five- Year Plan (1974–1979)

- **Model**-D.P. Dhar Model
- **Central focus**-Poverty eradication, Self-reliance

Targeted Growth Rate

- 4.4% (Targeted)
- 4.8% (Achieved)

Major Initiatives

- Minimum Needs Programme, (1974)
- 20-Point Programme, 1975
- Food for Work Programme
- Establishment of Regional Rural Banks (RRBs) on 26th September, 1975

Expires one year before the completion of the term

Rolling Plan (1978-80)

Prime Minister-Morarji Desai (Janata Party Government)

- Propounded by Gunnar Myrdal in the book **Asian Drama**
- Prof. **DT Lakdawala** (in India)
  During this period, Gandhism Policy was followed
- **Initiatives**
  - Training of Rural Youth for Self-Employment (TRYSEM), 1979
  - Later merged into Swarnjayanti Gram Swarozgar Yojana (SGSY) in 1999

- Sixth Five Year Plan was launched twice
  - First - Janata Party 1978-1983 (lasted for two years
  - Second - Congress Government 1980-85

6 Prime Minister- Indira Gandhi

Sixth Five Year Plan (1980–1985)

- **Model** Export- Import model
- **Central focus**
  - Poverty alleviation and employment generation
  - Increase in national income, modernisation of technology

Targeted Growth Rate

- 5.2% (Targeted)
- 5.7% (Achieved)

Major Initiatives

- Nationalisation of 6 banks
- IRDP, NERP, DWACRA, RLEGP Programme
- NABARD (National Bank for Agriculture and Rural Development) established on 12th July, 1982
- EXIM Bank (Export-Import Bank of India) established in 1982

Prime Minister Rajiv Gandhi

Seventh Five-Year Plan (1985–1990) 7

- **Central focus**
  - Growth, modernisation, self-reliance and social justice
  - Increase in food production, productivity and employment opportunuties

Targeted Growth Rate

- 5.0% (Targeted)
- 6.0% (Achieved)

Most Successful

Major Initiatives

- Introduction of Nehru Rozgar Yojana (1989-90)
- Introduction of Speed Post services
- Described by Prof. Rajkrishna as Hindu Growth Rate

Annual Plan (1990–1992)

Prime Minister-Narasimha Rao

- Political instability, Balance of Payments crisis
- Small Industries Development Bank of India (SIDBI), 1990
- IMF assistance with conditions
- 1991 Economic Reform LPG introduce

L = Liberalisation
P = Privatisation
G = Globalisation

Prime Minister-P. V. Narasimha Rao

Eighth Five-Year Plan (1992–1997) 8

- **Model** – John W. Muller Model
- **Central focus**-Rapid and sustainable growth

Targeted Growth Rate

- 5.6% (Target)
- 6.8% (Achieved)

Most Successful

Major Initiatives

- Prime Minister Rozgar Yojana (1993)
- Rashtriya Mahila Kosh (1993)
- Introduction to Instructional planner

Prime Minister-Atal Bihari Vajpayee

Ninth Five-Year Plan (1997–2002) 9

- **Model** – Export - Import model
- **Central Point** - Economic growth with social justice and equity
- Four Areas
  - Quality of life
  - Employment generation
  - Self - reliance
  - Regional balance

Targeted Growth Rate

- 7.1% (Targeted)
- 6.8% (Achieved)

Failed

Major Initiatives

- Strengthening Panchayati Raj Institutions
- Strengthening cooperatives

Prime Minister-Atal Bihari Vajpayee (till 2004), then Manmohan Singh

Tenth Five Year Plan (2002–2007) 10

- **Central focus**
  - Economic development with social justice and equality
  - Most emphasis on agriculture
  - Highest allocation expenditure (on energy)

Targeted Growth Rate

- 8.0% (Targeted)
- 7.6% (Achieved)

Major Initiatives

- National Horticulture Mission
- India Vision 2020 released in 2000, by Shyama Prasad Gupta committee
- Bharat Nirman Programme, 2005-06

Prime Minister Manmohan Singh

Eleventh Five-Year Plan (2007–2012) 11

- **Central focus**-Inclusive and faster growth

Targeted Growth Rate

- 9.0% (Targeted)
- 7.9% – 8% (Achieved)

Other

- Average agriculture growth rate 3.3%

Prime Minister-Manmohan Singh (initially), then Narendra Modi from 2014

Twelfth Five Year Plan (2012–2017) 12

- **Central focus** - Faster, sustainable, and more inclusive growth

Targeted Growth Rate

- 9% (Targated)
- Revised – 8%
- 6.7% (Achieved)

The duration of this scheme was ending on 31st March, 2017, but the Ministry of Finance extended it by six months.
Due to this, the scheme ended on 30th September, 2017

Annadata Industrial Farmer Grows Green Removes Poverty

① Agriculture and irrigation
② Industry
③ Farmer
④ Gadgill Model
⑤ DP Dhar
Growth increase in employment

Modern Kisan Should Make India Inclusive Faster

⑥ Modernisation
⑦ Food, Employment
⑧ Human Development
⑨ Equity and Justice
⑩ Double Per Capita Income
⑪ Inclusive Growth
⑫ Growth

10 National Income and Related Concepts

Concept of National Income Flow

Simon Kuznets: Nobel Prize in Economics; 1971 (developed this idea

The monetary value of all final goods and services produced in an economy during a financial year (from 1st April to 31st March)

Includes income earned from the foreign countries

Final goods are those in which no further value addition can be done

Calculation of National Income in India

First Estimate -By Dadabhai Naoroji (1968)
→ Book - Poverty and Un-British Rule in India

- First Scientific Method - by Dr. V.K.R.V. Rao
- National Income Committee
  - → Formation Year: 1948-1949
  - → Chairman: PC Mahalanobis
- **Members** R. Gadgil V.K.R.V. Rao
- First Official Estimate - In the year 1948-49 by the Ministry of Commerce

GDP Deflator

- $\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$

Concept of Money Illusion
Irving Fisher

National Income (Y) = C + I + G + (X – M)

- X = Income from foreign countries (Exports of goods and services)
- M = Income earned in the country by foreigners (Imports of goods and services)
- C = Consumption
- I = Investment
- G = Govt. Expenditure

GDP at Constant Price

- This is called real GDP
- When GDP is calculated on the basis of the base year
- Current base year is 2011-2012
- Committee formed for new base year- Biswanath Goldar considering implementation in the year 2022-23
- GDP at factor cost and market prices

Key Terns Related to National Income

1. GDP

- Within a domestic range
- Monetary value of all final goods and services produced in a year

$GDP_{FC} = GDP_{MP}$ – Indirect Tax + Subsidy

$GDP_{MP} = NDP_{FC}$ + Depreciation + Net Indirect tax

FC = Factor Cost

MP = Market Price

2. Net Domestic Product (NDP)

- The amount obtained by subtracting depreciation from GDP
- Decrease in the value of machinery and capital during production
- NDP = GDP – Depreciation

3. Gross National Product (GNP)

- By the ordinary resident of a country
- In a financial year
- The monetary value of final goods and services produced within or outside the country

GDP at Current Price

When GDP is calculated at prevailing market prices.

NNP (Net National Product)

NNP = GNP – Depreciation

Personal Income

- PI = National Income – Undistributed profits of corporations – Corporate taxes – Payments made for social security schemes + Government transfer payments + Business transfer payments

Per Capita Income

- Per Capita Income = $\frac{\text{National Income}}{\text{Total Population}}$
- Real Per Capita Income

$$= \frac{\text{National Income at Constant Prices}}{\text{Total Population}}$$

Gross Value Added (GVA)

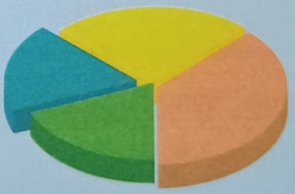
- Estimated at basic cost instead of factor cost
- GDP is presented after subtracting indirect taxes from subsidies

GVA at Basic Cost

GVA = GVA at factor cost + (Production taxes-Production subsidies)

Disposable Personal Income (DPI)

Personal Income – Personal Direct Tax



Hindu Growth Rate

- Terminology used to describe the slow growth rate of Indian economy
- Concept related to national income
- Propounded by - **Prof. Raj Krishna** in 1978
- First three decades after independence saw real economic growth of 3.5% per annum.

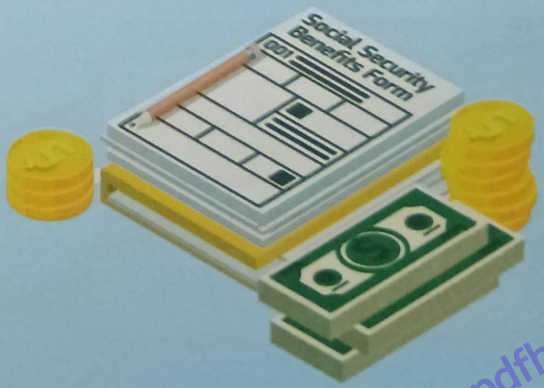
Green National Income (GNI)

- The national income which includes the cost of environment along with economic development.
- Green National Income = Traditional National Income(NNP)-Loss of natural resources cost of environmental pollution

Amendment in National Income Accounts Base - Year and Calculation Method

↓

- Released by Central Statistics Office (CSO) in January, 2015
- Change in base year from 2004-05 to 2011-12
- Use of basic prices instead of factor costs to estimate sector-wise GVA for GDP calculation



11 Methods of Measuring National Income and Related Organisations

Methods of Measuring National Income

Income Method

- 01 Factors of Production
  - Land
  - Labour
  - Capital
  - Entrepreneur
- 02 Refers to the estimation or measurement of national income
- 03 Mixed Income
- 04 Operating rent, royalty, profits and corporate tax, dividends, etc.
- 05 Compensation to employees (salary, wages etc.)

Items Excluded from National Income Calculation

- Intermediate goods (not included)
- Old goods not produced in the current year
- Financial transactions, Buying and selling of shares, debentures etc.
- Capital gains or losses, windfall gains and gifted from abroad
- Domestic or free goods and services (not included)
  ↓
  The teacher teaching his own child etc
- Government transfer payments etc
  - Unemployment allowances
  - Old age pensions, etc

Production/ Value Added Method

- Measures value added at each stage of production across different industries
- Also called Goods and Services Method or Product/Price Method
- Calculation of the market value of goods and services produced in a year

Expenditure Method

Expenditure on Consumption | **Total Income** | Saving

$GDP_{MP} = C + I + G + (X - M)$

C = Private Final Consumption Expenditure

I = Gross Fixed Capital Formation /Investment

G = Government Final Consumption Expenditure

X–M = Net Exports

X = Exports, M = Imports

Organisations Related to National Income Calculation

Ministry of Statistics and Programme Implementation (MoSPI)

Establishment

15th October, 1999 after the merger of Department of Statistics and Department of Programme Implementation

Specific

Importance given to coverage and quality aspects of statistics released in the country

Central Statistics Office (CSO)

Established ↓ 2nd May, 1951 reorganised in 1954

Headquarters ↓ New Delhi

Function ↓
- Earlier, calculation of national income
- Currently by NSO

National Statistical Commission (NSC)

Established ↓ 2005

Work Started ↓ From 2006

Function ↓ Solving problems related to statistical institutions

National Sample Survey Office (NSSO)

Established ↓ National Sample Survey was started in the year 1950 as NSO.

Reorganisation ↓ As NSSO till the year 1970-71

Headquarters ↓ Kolkata

Functions ↓ Conduct Economic surveys

National Statistical Office (NSO)

- In May, 2019 (MOSPI) decided to merge CSO and NSSO into NSO
- CSO and NSSO were merged as components under NSO
- **Released Statistics**
  - Related to GDP
  - Industrial Production Index
  - Inflation

12 Concepts and Theories Related to Population

Demography

- Study of population trend, processes and problems **e.g.** change in population size

Types

Formal Demography

Study of size volume of population

Social Demography

Studies of socio-economic, and political aspects of population

Theory of Demographic Transition

Propounder - Warren S. Thompson in 1929

Scientific and Systematic form presented by Frank W. Notestein (1945 AD)

C.P. Blacker's in 1947 Five Stages of Demographic Transition

Five Stages

First High Fluctuating

- High birth rate
- High death rate
- Population stable or very slow

Second Early Expanding

- Rapid growth population explosion
- Reduction in death rate
- High birth rate
- Moving towards development

Third Late Expanding

- Decrease in birth rate
- Decrease in population growth rate

Fourth Low Fluctuating

- Stable population and possibility of decline
- Birth/death rate is under controlled rate.
- High development

Fifth Stage of Declining

- Birth rate lower than death rate
- Low death rate
- Decrease in population size (Australia)

Population Theory of Malthus

Most popular theory

Pessimistic outlook

In 1798, the book "An Essay on the Principle of Population" was published - according to the auther Thomas Robert Malthus

Increase in Food Production-Arithmetically (1, 2, 3, 4...)

Increase in Population - Geometrically (1, 2, 4, 8, 16...) Hence growth always increase faster than resources. Therefore it needs to be controlled artificially Example : By moral restaint and reproduction control

Principle

Optimum Population Theory

- First mentioned by Edward best in 1815 AD.
- Developed by Henry Sidgwick in 1907
- The word 'optimum' was first used by Edwin Cannan in 1924.

Dalton Theory

- Optimum population is the one that provides maximum per capita income
- **Under population** - Population being less than the optimum
- **Over population** - Population being more than the optimum

Terminologies Related to Population

Crude Death Rate

Number of deaths per 1,000 population in a particular area in one year

$$\frac{\text{Total number of deaths in a particular area in a year}}{\text{Estimated mid-year population}} \times 1000$$

Crude Birth Rate

Number of registered live births per 1,000 population in a particular area in one year

$$\frac{\text{Number of registered live births in a year}}{\text{Estimated mid - year population}} \times 1000$$

Maternal Mortality Rate

$$\frac{\text{Number of maternal deaths in a year}}{\text{Number of live births in that year}} \times 100000$$

Population Growth Rate

- Crude Birth Rate – Crude Death Rate + Net Migration Rate

Decadal Population Growth Rate

- **Percentage increase in population over a period of ten (10) years**

$$\frac{\text{Present Population} - \text{Previous Population}}{\text{Previous Population}} \times 100$$

Child Mortality Rate

- **Number of deaths of children aged 5 years during a year, per 1000 live births in that year**

$$\frac{\text{Number of deaths of children aged 0-5 years in a year}}{\text{Number of live births in the same year}} \times 1000$$

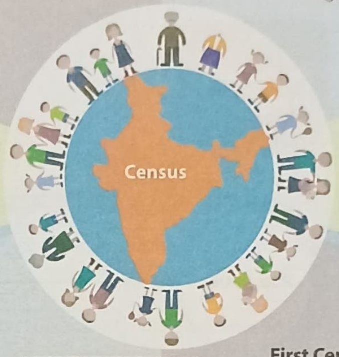
In Infant Mortality rate takes the count of infants under 1 year of age is included

13 Census and Related Statistics Data in India

Historic Background
- Earlier evidence – Arthasastra of Kautilya
- Ain-e-Abkari by Abul Fazal

2011 Census
- 15th Census of India
- 7th after Independence

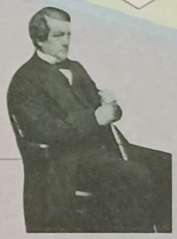
First Census in the World
- By Sweden
- In 1749
- Decennial Census – By America – In 1790 A.D.



Regular Census
- Started in 1881 A.D.
- During the tenure of Lord Ripon

Administrative Nature
- **Subject** of the Union List
- Responsibility of Census – Central Government – Article 246
- Establishment of Census Dept.
  - → Under the Ministry of Home Affairs
- Head of the Census Dept.
  - → Registrar General and Census Commissioner

First Census
- In 1872 A.D.
- During the tenure of Lord Mayo



Trends of Population Growth in India

Four Phases

First Phase (1901–1921) Stagnant
- Slow growth in population

Second Phase (1921–1951) Seteady
- Nearly stable or slow growth in Population

Third Phase (1951–1981) Population Explosion
- Rapid increase in population growth rate

Fourth Phase (1981–2011)
- Population continued to grow, but the growth rate showed a declining trend

Great Dividing Line

1921 AD
- Decade from 1911 to 1921
- **Reason**
  - Before 1921, the population growth rate was very slow
  - After 1921, there was a gradual increase

Population Policy, 2000

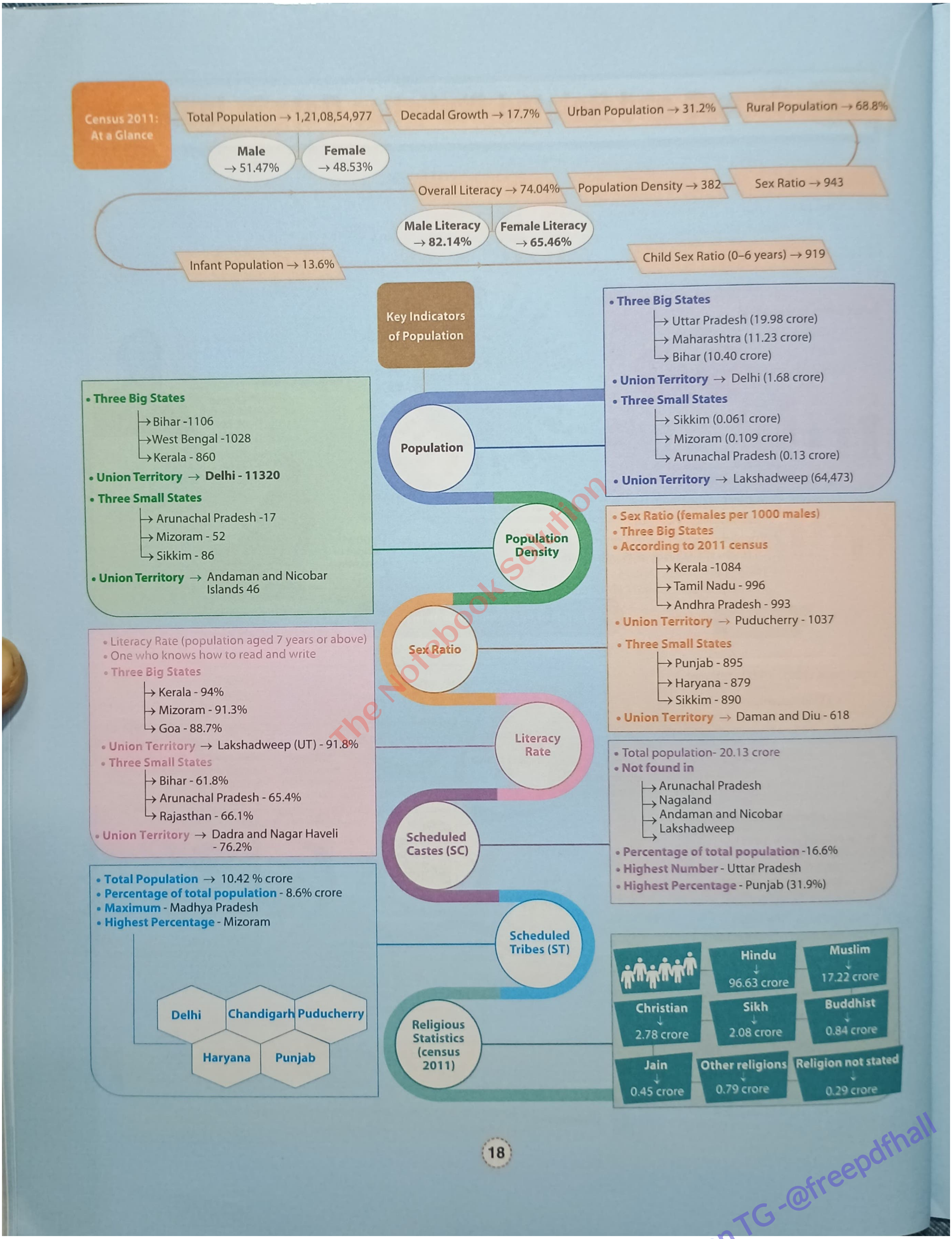
- **Declared** ↓ 15th Feburary, 2001
- Based on Report of the Expert group 1993 → **Chairman** Dr. MS Swaminathan
- **Key Points** ↓ Goal of population stability
  - Target year 2045
  - By the year 2070 as per the 2010 amendment
- **Maternal Mortality Rate** ↓ Below 93 per lakh live births
- **Infant Mortality Rate** ↓ Below 27 per 1000 live births

National Population Commision
- Formation → 11th May, 2000 → Under the Population Policy, 2000
- Chairman → Prime Minister
- **Re-organization**- 19th May, 2005
- **Objective** → To ensure the implementation of national population

National Population Stablisation Fund
- Formation-2004 - 05
- National level fund ₹100 crore
- Chairman - Prime Minister
- Vice President - Union Health and Family Welfare Minister

National Register of Citizens (NRC)
- First prepared in 1951
- First State of India - Assam

Objectives
- → To identify illegal immigrants from Bangladesh in Assam
- → Provide citizenship to genuine Indian citizens



Census 2011: At a Glance

Total Population → 1,21,08,54,977
- **Male** → 51.47%
- **Female** → 48.53%

Decadal Growth → 17.7%

Urban Population → 31.2%

Rural Population → 68.8%

Sex Ratio → 943

Population Density → 382

Overall Literacy → 74.04%
- **Male Literacy** → 82.14%
- **Female Literacy** → 65.46%

Child Sex Ratio (0–6 years) → 919

Infant Population → 13.6%

Key Indicators of Population

Population

- **Three Big States**
  - Uttar Pradesh (19.98 crore)
  - Maharashtra (11.23 crore)
  - Bihar (10.40 crore)
- **Union Territory** → Delhi (1.68 crore)
- **Three Small States**
  - Sikkim (0.061 crore)
  - Mizoram (0.109 crore)
  - Arunachal Pradesh (0.13 crore)
- **Union Territory** → Lakshadweep (64,473)

Population Density

- **Three Big States**
  - Bihar - 1106
  - West Bengal - 1028
  - Kerala - 860
- **Union Territory** → **Delhi - 11320**
- **Three Small States**
  - Arunachal Pradesh - 17
  - Mizoram - 52
  - Sikkim - 86
- **Union Territory** → Andaman and Nicobar Islands 46

Sex Ratio

- **Sex Ratio (females per 1000 males)**
- **Three Big States**
- **According to 2011 census**
  - Kerala - 1084
  - Tamil Nadu - 996
  - Andhra Pradesh - 993
- **Union Territory** → Puducherry - 1037
- **Three Small States**
  - Punjab - 895
  - Haryana - 879
  - Sikkim - 890
- **Union Territory** → Daman and Diu - 618

Literacy Rate

- Literacy Rate (population aged 7 years or above)
- One who knows how to read and write
- **Three Big States**
  - Kerala - 94%
  - Mizoram - 91.3%
  - Goa - 88.7%
- **Union Territory** → Lakshadweep (UT) - 91.8%
- **Three Small States**
  - Bihar - 61.8%
  - Arunachal Pradesh - 65.4%
  - Rajasthan - 66.1%
- **Union Territory** → Dadra and Nagar Haveli - 76.2%

Scheduled Castes (SC)

- Total population- 20.13 crore
- **Not found in**
  - Arunachal Pradesh
  - Nagaland
  - Andaman and Nicobar
  - Lakshadweep
- **Percentage of total population** -16.6%
- **Highest Number** - Uttar Pradesh
- **Highest Percentage** - Punjab (31.9%)

Scheduled Tribes (ST)

- **Total Population** → 10.42 % crore
- **Percentage of total population** - 8.6% crore
- **Maximum** - Madhya Pradesh
- **Highest Percentage** - Mizoram

Delhi **Chandigarh** **Puducherry** **Haryana** **Punjab**

Religious Statistics (census 2011)

	Hindu ↓ 96.63 crore	**Muslim** ↓ 17.22 crore
Christian ↓ 2.78 crore	**Sikh** ↓ 2.08 crore	**Buddhist** ↓ 0.84 crore
Jain ↓ 0.45 crore	**Other religions** ↓ 0.79 crore	**Religion not stated** ↓ 0.29 crore

14 Poverty: Types, Estimates and Related Committees

Poverty

- Inability to fulfill the basic necessities of life
- Poverty cannot be eliminated only by increasing income alone; developing people's capabilities is the sustainable solution → Hence, poverty is a multidimensional problem.
- **World Bank** → Person who earn $2.15 per day or less is consider poor

Other Types of Poverty

Chronic Poor	Seasonal Poor	Irregular Poor	Never Poor
• Population below poverty line • Example - landless	• Majority of the population in rural areas • Engaging in cultivation time, unemployed in the rest of the time • Example - Marginal/ Small farmers, labourer	• Not usually poor • Poor due to circumstance and misfortune Example – People who gamble	• Much more top than the poverty line • Example - Businessmen, people from service sector

Measurement of Poverty

Absolute Poverty Line

First used by → FAO's first Director General - John Boydorr (1945)

Based on minimum income or consumption people cannot even meet their energy (calorie) requirement

In India, Absolute standard is used to measuring poverty

Relative Standard of Poverty

Comparison → High income group and lower income groups (measurement of difference in living standards)

Knowledge of Inequality → Between different income groups

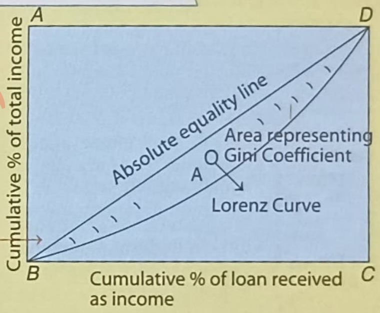
Lorenz Curve Measuring Relative Poverty Show the distribution of income or wealth in society

Developed by → Max O. Lorenz , **1905**

Lorenz Curve → Showcasing inequality in income

Show the relation
- Cumulative percentage of income
- Cumulative percentage of population

Diagram



Gini Coefficient

Developed by Corrado Gini in 1912

Measures income inequality within a country between countries

Widely used as an indicator for demographic distribution

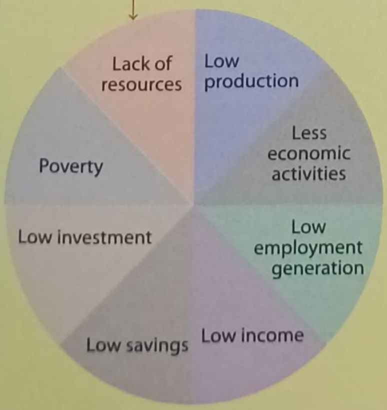
Value → 0 to 1

Condition of perfect inequality

Condition of perfect equality

Vicious Cycle of Poverty

Propounder — Prof. Ragnar Nurkse



Poverty Line

Poverty based on Consumption Expenditure

- **Uniform Recall Period (URP)**
  - → Food and non-food items of use
  - → Use in past 30 days
- **Mixed Recall Period (MRP)**
  - → Use of food items in 30 days
  - → Expenditure on education and health over the last 365 days

Level of Income or Consumption Expenditure

↓

Person stay below it

Head Count Ratio (HCR)

By Amartya Sen

- Presented concept of income gap ratio instead of head count ratio
- Sex Poverty Index

To measure absolute poverty

Percentage of population living below the poverty line

Estimation/Committees of Poverty in India

Dadabhai Naoroji (1867-68)

- First estimation of poverty in the country
- Application of theory - cost of living theory
- Book - Poverty and Un-British Rule in India

Dandekar and Rath (1971)

- For the first time, poverty line was determined scientifically in the year
- Base
  - Using consumption expenditure data from National Sample Survey Office (NSSO)
  - First use of calorie basis
  - A person who consumes 2250 calories per day is not poor

Y.K. Alagh Committee (1979)

Different calorie intake for urban and rural areas

- Rural areas ↓ 2400 calories
- Urban areas ↓ 2100 calories

Lakdawala Committee (1993)

- The concept of poverty line is different for each state.
- Consumer Price Index (CPI) → Separately for rural and urban areas

For Rural Areas
- CPI - AL (Agriculture Labour)
- Consumer Price Index for agricultural workers

For Urban Areas
- CPI - IW (Industrial Workers)
- Consumer Price Index for Industrial Workers

Suresh Tendulkar Committee (2005)

- Formed → 2005
- Report → 2009
- concept — Cost of Living
- Basic needs (education, health etc.)
- Mixed method (MRP), using consumption expenditure basis
- Poverty in 2011-2012 → Total 21.9%

Rural
- 25.7%,
- ₹816 per month
- ₹27 per day

Consumption expenditure

Urban
- 13.7%
- ₹1000 per month
- ₹33 per day

Consumption expenditure

C. Rangarajan Committee (2012)

- Formed → 2012
- Report → 2014
- Poverty Rate in 2011-2012: 29.5%

Rural
- 30.9%,
- ₹972 per month
- ₹32 per day

Urban
- 26.04%
- ₹1407 per month
- ₹47 per day

National Multidimensional Poverty Index (MPI) 2021

- Issued by NITI Aayog
- Launch in 2021
- Criteria-10 nutrition 3 dimensions (health, education, standard of living) and 10 index
- Child mortality rate, mental health, years of schooling, school attendence, food fuel, sanitation, housing, electricity, drinking water (Assets) property:- Bank account

Current Poverty Line Assessment

- By Niti Aayog
- Based on data collected by NSSO

15 Unemployment

No work available for people who are able and willing to work at the prevailing wage rate

Types of Unemployment

Structural Unemployment

- Caused to structural changes in the industrial sector.
- This is the prevailing form of unemployment in India

Disguised/Hidden Unemployment

- Due to population pressure in the country
- More people are engaged in work than actually required
- Their marginal productivity will be zero

like agricultural sector

Cyclical Unemployment

- In the economy of developed countries market fluctuations (due to increase/decrease in demand)

Seasonal Unemployment

- In agriculture sector
- Work for 7-8 months in a year
- No work for the rest of the time

Frictional Unemployment

- Changes in the conditions of market
- Shifting from one job to another

Educated Unemployment

- Mostly educated people unemployed in urban areas.
- Lack of employment opportunities and low investment

Open Unemployment

- Highest level of unemployment
- Not getting work prevailing wage rate

Measurement/ Estimation of Unemployment

Bhagwati Committee, 1973

Usual Principal Status (UPS)
↓
Employed less than 183 days per year

Three Concepts

Current Weekly Status (CWS)

Not getting even 1 hour of work in a week

Current Daily Status (CDS)

Work is available only for a few days in the week in searching for work

Full Employment

273 days with 8 hours work per day (Statistical Benchmark)

Glossary : Labour Force/Power – Number of people employed + Number of unemployed

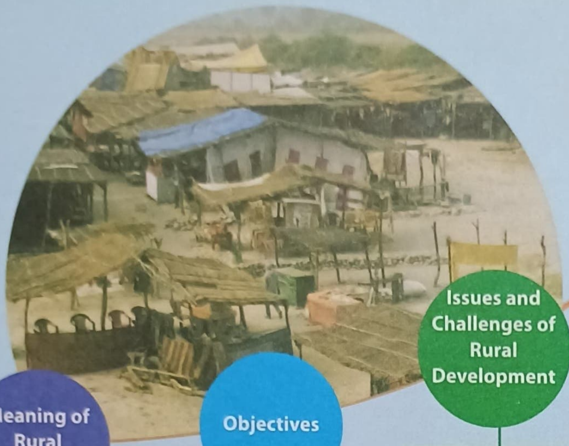
Working Population

- Population in the age group of 15-years & above
- 15-64 years as per PLFS (Periodic Labour Force Survey)
  ↓
  Indicators
  - LFPR
  - WPR
  - UR

Unemployment Rate

$$\frac{\text{Number of Unemployed}}{\text{Labour Force}} \times 100$$

16 Rural Developement



Meaning of Rural Development

- Better economic development of People
- Major social transformation
- Dedicated by **NABARD**
- Agriculture and rural development to be promoted by **NABARD**

Objectives

- *Raising above poverty line*
- *Spreading education*
- *Reducing unemployment*
- *Supply of pure drinking water*
- *Development of transportation*
- *Development of communication tools*
- *To provide healthcare facilities*

Issues and Challenges of Rural Development

- Overdependence on agriculture and subsidiaries
- Poverty
- Unemployment
- Lack of infrastructure
- Indebtedness
- Rapid growth in population
- Economic disparities
- Migration to cities

With the objective of providing people with better prospect for economic development

- Ensuring progressive participation of people in rural development programmes
- Decentralise the schemes
- Implement land reforms more effectively
- Expend access to credit

Five key elements of social and economic infrastructure for Rural Living Standards

- Education
- Health
- Drinking water
- Housing
- Roads

Ministry of Rural Development

- To eliminate poverty, illiteracy diseases and inequality of opportunities and to provide a better and higher standard of living for the citizen of the country
- **Established** -1974, as a dept. Under the Ministry of Agriculture and Food
- Year - 1999, (final)
- Two departments
  - Rural Development Department
  - Land Resources Department

Major Schemes

Sansad Adarsh Gram Yojana

To provide Employment

National Rural Employment Guarantee Act (NREGA)
- Launched- 2nd February, 2006
- New Name - MGNREGA since 2nd October, 2009
- Objective - 100 days employment

Note: Act was passed in the year 2005

Self-employment and Skill Development

National Rural Livelihood Mission
- Launched - June 2011
- New Name - Deen Dayal Antyodaya
- Scheme- National Rural Livelihood Mission **(DAY-NRLM)**

Housing for BPL Families

Pradhan Mantri Awas Yojana
- Launched- June 2016
- Beneficiary - BPL, SC/ST, widows, disabled, elderly, families with kutcha houses

Road Construction

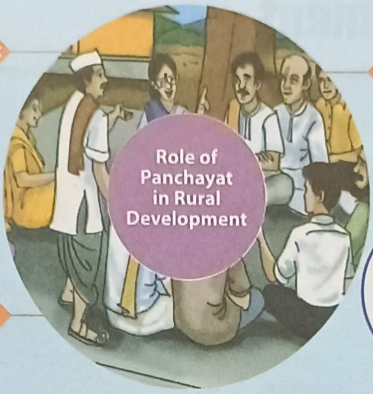
Pradhan Mantri Gram Sadak Yojana
- Launched – 2000

Social Pension

National Social Assistance Programme (NSAP)
- Launched - 1995

Land Productivity Improvements

Integrated Watershed Management Programmme
- Launched - 2009–10
- (DPP+DPAP + IWDP)
- Merged into Pradhan Mantri Krishi Sinchayee Yojana- 2015


Role of Panchayat in Rural Development

E-Panchayat

Prepared in 2006 under the e-Governance Scheme

Objectives

- To make Panchayats more transparent and state institutions responsive
- Making it more transparent, accountable and effective

Swamitwa Scheme

Providing integrated property verification solution for rural India

E-Chaopal

- Providing information about agriculture and production through internet
- Promotion of production shrimp, coffee, soybean
- For rural farmers
- Important role of ICT

To empowering Rural Economy

01

Pradhan Mantri Gram Sadak Yojana (PMGSY)

↓

As of 22nd January 2025, under the first phase of PMGSY 1, 80, 207 habitations have been connected with new connectivity of 4,22,908 km of route, with upgradation of total route length of 2,01,720 km → Additional improvement of 49,033 km route by 22nd January, 2025

02

Pradhan Mantri Awas Yojana-Gramin (PMAY-G)

↓

Launched on 20th November, 2016 (minimum unit-(house) size of 2 sq. m, including dedicated area for clean cooking (completed 2.67 crore houses by 19th November, 2024)

03

Jal Jeevan Mission

↓

15.7 crore household provided with tap water connections (by July 2025)

04

Swachh Bharat Mission-Gramin

↓

Launched on 2nd October 2014,
SDG Target-6.2
Aim- End open defecation

05

Mission Amrit Sarovar

↓

Started on 29th April, 2022 (Target 50,000 Amrit Sarovar- 68,827 (by July 2025)

06

National Health Mission-Rural

↓

Launched on 12th April, 2005
Objective- To provide quality health services in rural areas.

07

Sansad Adarsh Gram Yojana (SAGY)

↓

Launched -11th October, 2014 ; on the birth anniversary of Lok Nayak Jayprakash Narayan
Objective - Adoption of a village by every MP 3,361 Gram Panchayat adopted by MP

17 Urban Development

Urban Development

Meaning :- It is a process in which, to fulfill the necessities of increasing population, through foundational structures, housing and services, made some informs in urban areas.

Person in Million

	2001	2011
Rural	742	833
Urban	285	377
Total	1027	1210

Percentage of urban population in total population → 31.8%

Increase in urban ratio during 2001–2011 → 3.35%

Issues or challenges of urban development

- Higher concentration of population in cities
- Migration of rural population to urban
- Neglect the development of small towns
- Increase in economic inequality
- Decline in health etc

Status as of 2011

- Total population ↓ 1210.2 million
- Urban population ↓ 377.1 million
- Rise in urban population ↓ 91.0 million

Let's Understand the Terms

Urban Migration

→ People from rural areas moving to live, settle and work

Urbanisation

→ Physical expansion of urban areas such as area, population, etc.

Urban Areas

→ An area where availability of human facilities and possibilities of employment generation are more

Metropolitan Population

→ According to the United Nations, cities with a population of more than 10 million

→ In India: Mumbai, Delhi, Kolkata, Chennai, Bengaluru

Schemes related to Urban Development

Ministry of Housing and Urban Affairs

Formation - May 1952, finalised - 6th July, 2017

Government of India in matters relating to coverage and urban works top authority

National Urban Livelihoods Mission

Launched - September, 2013

Objectives - Provide self-employment and skilled wages to providing employment opportunities to poor farmers

Smart Cities Mission

Launched - 25th June, 2015

Objectives
→ Promote sustainable and inclusive cities
→ Provide clean environment to citizens

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

Started - In 2015

Focus
- To provide water, sewerage, urban transportation facility, etc
- 500 cities included
- Cities with population above 2 lakh

Jawaharlal Nehru National Urban Renewal Mission

Launched - 2005

Objectives
- Increase investment in urban infrastructure
- Enhance better citizens services

Ended in 2014; replaced by AMRUT

Pradhan Mantri Awas Yojana - Urban

Launched - 2015

Objective
- Housing for all
- To provide pucca houses to all poor families

North-Eastern Region Urban Development Programme

Launched - In 2009

Objectives: Agartala (Tripura), Aizawl (Mizoram), Gangtok (Sikkim), Kohima (Nagaland), Shillong (Meghalaya), Priority urban service delivery, water supply, sewerage, sanitation

National Urban Transport Policy, 2006

- Incorporate urban transport as an important parameter in the urban planning phase
- Reduction in pollution level
- Provision of public transport through central financial assistance

18 Currency

Meaning of Currency
↓
Commodity, which serves as a medium of exchange or payment for all goods and services

Meaning of Liquidity of currency

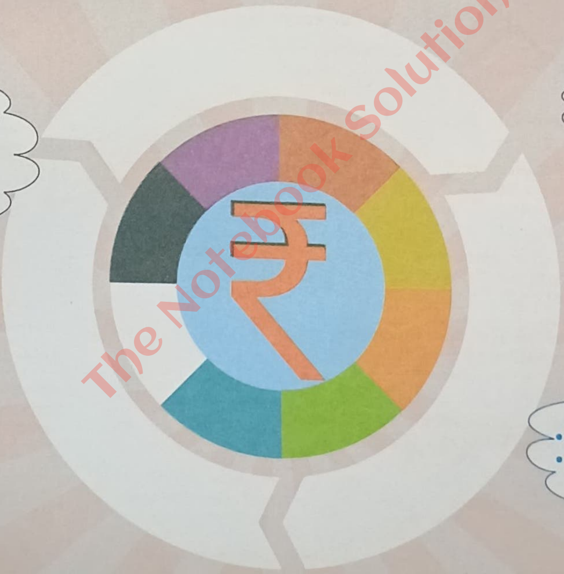
Property in which without any merger and promptness of damage tendency to be convert from cash to cash

Assets in decreasing order of liquidity

Cash currency > Demand deposit in banks saving > Deposit in banks deposits >savings in banks

Note : Most liquid asset → Cash currency

Types of Currency



01. Standard Currency
- Equal in price, commodity, and forms of money
- Face Value = Intrinsic Value

02. Legal Tender Currency
- Issuance-by Government/Central Bank
- Obigation on individuals to accept

03. Token Currency
- Real values less than face value
- Currently ₹1 coin

04. Near Currency

Which can be quickly and easily converted into currency -Gold, silver, national savings deposits, etc

05. Liquid Currency

Supply exceed demand in the international market (Indian ₹) (Freely traded)

06. Hot Currency
- Tendency to move quickly in the financial market
- Currencies in the stock market

07. Rare Currency

Demand exceeds supply in the international market, Ex- US Dollar ($) (Low circulation)

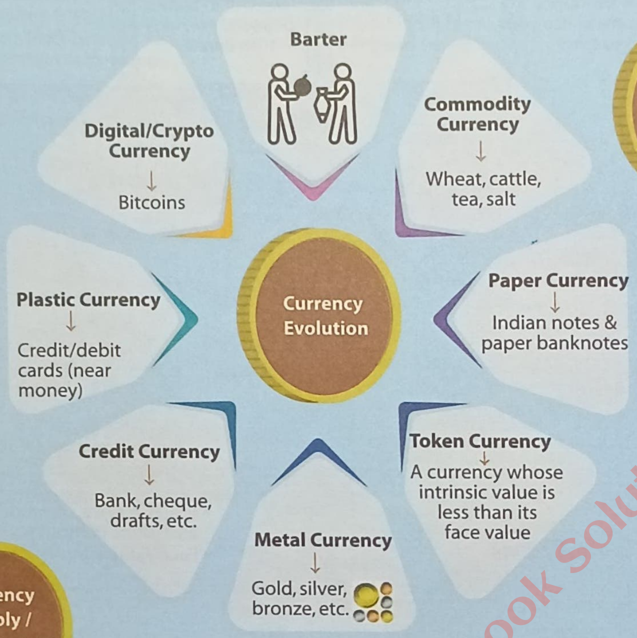
08. Credit Currency
- No obligation on individual to accept
- Like-promissory note, cheque, bill of exchange, demand draft, bank draft, hundis, etc…

Functions of Currency

- **Primary**
  - Medium of exchange
  - Measuring unit of price
- **Secondary**
  - Value of deferred payments
  - Accumulation of value

Demand for Money

- For continuous consumption
- For daily and future unexpected needs



Currency Evolution

Barter

Commodity Currency
↓
Wheat, cattle, tea, salt

Paper Currency
↓
Indian notes & paper banknotes

Token Currency
↓
A currency whose intrinsic value is less than its face value

Metal Currency
↓
Gold, silver, bronze, etc.

Credit Currency
↓
Bank, cheque, drafts, etc.

Plastic Currency
↓
Credit/debit cards (near money)

Digital/Crypto Currency
↓
Bitcoins

Important Facts

- In India, under the Governments monopoly, the ussuance of paper currency began after 1861 AD
- Currency decimal system was adopted in 1957
- Portrait of Mahatma Gandhi's on the notes
  - First of all in 1987 on ₹500 notes
  - On all notes since 1996
- Languages mentioned on notes → On all notes 17 languages including Hindi and English (15 on language panel)
- Four countries with currency symbols except India
  - America Dollar ($)
  - Japan Yen (¥)
  - Europe Euro (€)
  - British - Pound sterling (£)
- Symbol of Indian Rupee - ₹
  - World's fifth country to have its own currency symbol
  - Devanagari (र) and Roman (R) combined
  - Design by D. Udaya Kumar (IIT Mumbai)
  - Accepted in year 2010

Currency Supply / Measurement

- **M_0** *Currency in circulation + Bankers' deposits with RBI + other deposits with RBI (Currency + Reserves)*
- **M_1** *Currency with public + Demand deposits with banks + other deposits with RBI (Currency + Demand Deposits)*
- **M_2** *M_1 + Savings bank deposits with post offices (M_1 + Post office Deposits)*
- **M_3** *M_1 + Time deposits with commercial banks (M_1 + Time deposits)*
- **M_4** *M_4 + Total deposits of post offices* (Used in some context only) *(M_1 + Post office deposits)*

Measurement	Types	Liquidity
M_1	Narrow currency	Highest
M_2	Narrow currency	Less than M_1
M_3	Broad currency	Less than M_2
M_4	Broad currency	Lowest liquidity

Velocity of Currency

How often to buy goods & services in a given period of time

Meaning

How many times a unit currency was spent

Example

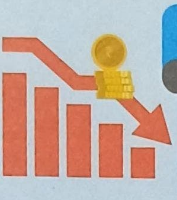
If the total currency of a country is ₹100 and goods worth ₹500 are purchased in a year, Then,

the velocity of currency circulation $= \frac{500}{100} = 5$

19 Inflation

Inflation

The increases in the price level of some selected commodities is called inflation



According to Keynes

- Actual inflation occurs after full employment

→

Demand-driven

- Increase in in price when demand increases

→

Supply Effect

- Increase in price when cost of production increases

Other terms related to inflation

Inflation Targeting

Inflation target in India set at 4% ± 2% This target is set by the Central Government

Deflation/Disflation

- Both are opposite inflation
- Both show depreciation/ decrease in price
- Deflation occurs when the inflation rate falls towards to 6–4%
- Deflation occurs when the rate of inflation falls below 2%
- Deflation = negative inflation rate

①

Headline Inflation

- Food and energy prices including total inflation
- Measures → Consumer Price Index Combined (CPI-C)

②

Inflation

- Deliberately increasing the supply of money and credit

③

Stagflation

- A situation when both inflation and unemployment are high

④

Core Inflation

- First use in India- 2000–01
- This is calculated by removing the food and fuel components
- Related to non-food manufactured goods

⑤

Types of Inflation

Creeping/ Gentle Inflation: When inflation rate is in single digits (3% or less)

Walking Inflation: When the inflation rate is less than 3% to 6% or 10%

Galloping Inflation: When the inflation rate is in two/three digits or above (e.g. 10% to 99% or more)

Running Inflation: When inflation rises rapidly at the rate 10–20% per annum

Hyper Inflation: When the inflation rate is more than three digits

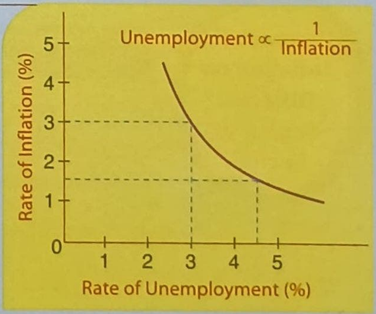
Open Inflation: When there is no control on inflation

Imported Inflation: Due to increase in the prices of raw products (petroleum etc) imported from abroad

Phillips Curve

Propounder- A.W. Phillips

Inversely proportional relationship between the rate of inflation and unemployment devaluation



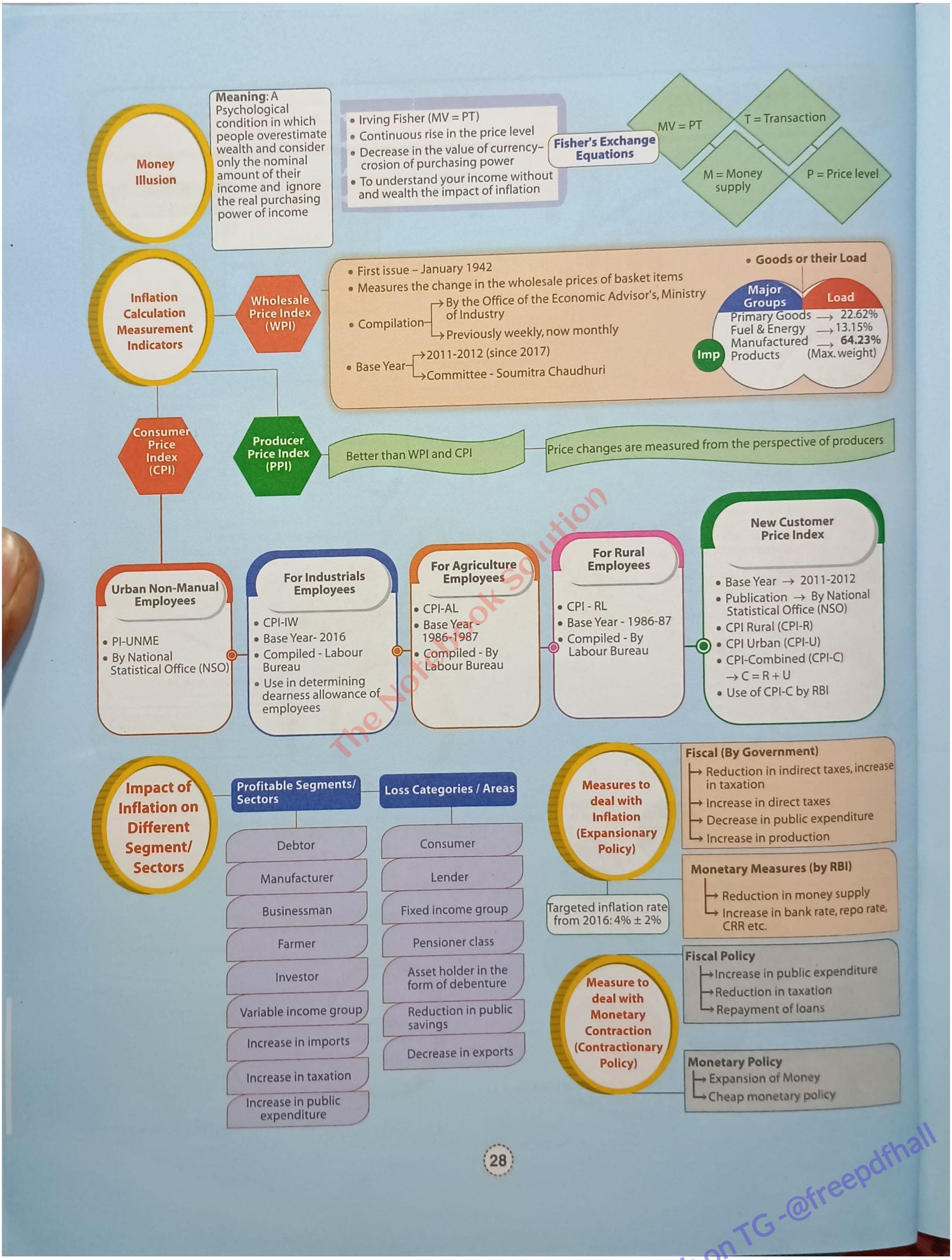
Currency Devaluation

- Compared to foreign currency
- Decrease in the external value of the currency
- No impact on intrinsic value
- Three times in India

Year 1949

Year 1966

Year 1991



Money Illusion

Meaning: A Psychological condition in which people overestimate wealth and consider only the nominal amount of their income and ignore the real purchasing power of income

Fisher's Exchange Equations

- Irving Fisher (MV = PT)
- Continuous rise in the price level
- Decrease in the value of currency–crosion of purchasing power
- To understand your income without and wealth the impact of inflation

MV = PT
T = Transaction
M = Money supply
P = Price level

Inflation Calculation Measurement Indicators

Wholesale Price Index (WPI)

- First issue – January 1942
- Measures the change in the wholesale prices of basket items
- Compilation
  - By the Office of the Economic Advisor's, Ministry of Industry
  - Previously weekly, now monthly
- Base Year
  - 2011-2012 (since 2017)
  - Committee - Soumitra Chaudhuri
- **Goods or their Load**

Major Groups	Load
Primary Goods	→ 22.62%
Fuel & Energy	→ 13.15%
Manufactured Products	→ **64.23%** (Max. weight)

Imp

Producer Price Index (PPI)

Better than WPI and CPI

Price changes are measured from the perspective of producers

Consumer Price Index (CPI)

Urban Non-Manual Employees
- PI-UNME
- By National Statistical Office (NSO)

For Industrials Employees
- CPI-IW
- Base Year- 2016
- Compiled - Labour Bureau
- Use in determining dearness allowance of employees

For Agriculture Employees
- CPI-AL
- Base Year - 1986-1987
- Compiled - By Labour Bureau

For Rural Employees
- CPI - RL
- Base Year - 1986-87
- Compiled - By Labour Bureau

New Customer Price Index
- Base Year → 2011-2012
- Publication → By National Statistical Office (NSO)
- CPI Rural (CPI-R)
- CPI Urban (CPI-U)
- CPI-Combined (CPI-C) → C = R + U
- Use of CPI-C by RBI

Impact of Inflation on Different Segment/ Sectors

Profitable Segments/ Sectors	Loss Categories / Areas
Debtor	Consumer
Manufacturer	Lender
Businessman	Fixed income group
Farmer	Pensioner class
Investor	Asset holder in the form of debenture
Variable income group	Reduction in public savings
Increase in imports	Decrease in exports
Increase in taxation	
Increase in public expenditure	

Measures to deal with Inflation (Expansionary Policy)

Fiscal (By Government)
- Reduction in indirect taxes, increase in taxation
- Increase in direct taxes
- Decrease in public expenditure
- Increase in production

Monetary Measures (by RBI)
- Reduction in money supply
- Increase in bank rate, repo rate, CRR etc.

Targeted inflation rate from 2016: 4% ± 2%

Measure to deal with Monetary Contraction (Contractionary Policy)

Fiscal Policy
- Increase in public expenditure
- Reduction in taxation
- Repayment of loans

Monetary Policy
- Expansion of Money
- Cheap monetary policy

20 Development of Banks in India (Commercial Banks)

Bank Sakhi

- Women Self-Help group (SHG) member appointed as a banking agent

Development of Banks

Banks

- A financial institution
- Accepts deposits from people
- Lends credit to people

1770

- Bank of Hindustan (Calcutta)
- First bank in India
- On the European banking system

1881

- Awadh Commercial Bank
- First bank established and operated by Indians

1894

- Punjab National Bank
- First bank of Indians to be fully managed by Indians

1921

- Imperial Bank of India Formed by combining
  - Bank of Bombay (1840)
  - Bank of Madras (1843)
  - Bank of Bengal (1806)
- 1st July, 1955 Nationalisation Renamed as (SBI)

14 banks nationalised on 19th July, 1969

- Dena Bank
- Indian Bank
- Syndicate Bank
- Allahabad Bank
- Punjab National Bank
- Bank of India
- Bank of Baroda
- Union Bank of India
- UCO Bank
- United Bank of India
- Central Bank of India
- Bank of Maharashtra
- Indian Overseas Bank
- Canara Bank

15th April, 1980

- Number of banks Nationalised- 6
- Deposit amount ₹ 200 crore or more
- Corporation Bank
- New Bank of India
- Andhra Bank
- Vijaya Bank
- Oriental Bank of Commerce
- Punjab & Sind Bank

4th September, 1993

- Merger
- New Bank of India was merged
- With Punjab National Bank

2017

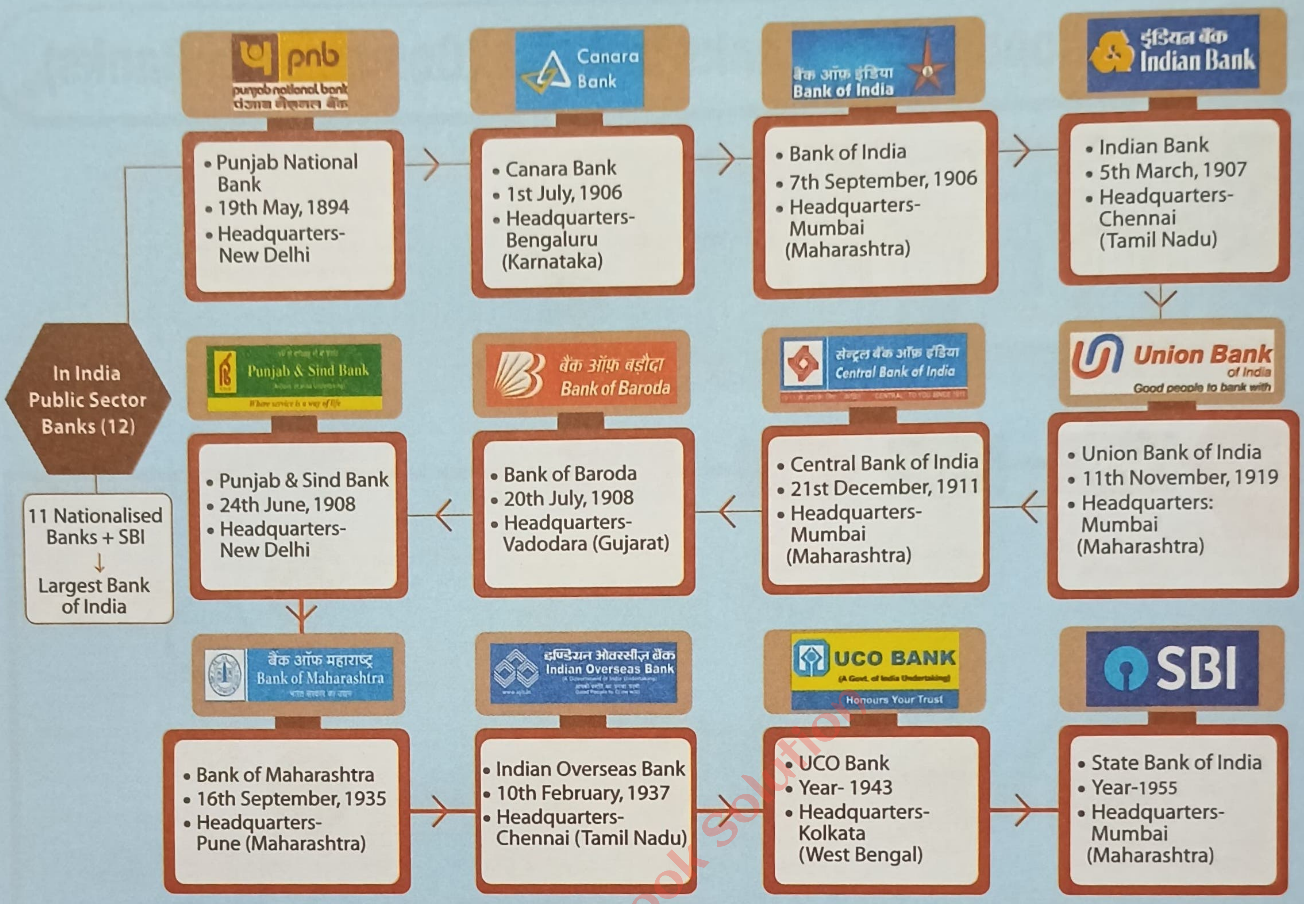
- Five associate banks and Bhartiya Mahila Bank merged with SBI
- State Bank of Hyderabad
- State Bank of Bikaner & Jaipur (SBBJ)
- State Bank of Travancore
- State Bank of Patiala
- State Bank of Mysore

April, 2019

- Merger
- Vijaya Bank and Dena Bank merged
- With Bank of Baroda

April, 2020

- Nationalised bank merger
- After this merger, PNB became the second-largest public sector bank and has OBC + UBI share
- Canara Bank merged with Syndicate Bank
- Union Bank of India merged with the Andhra Bank and Corporation Bank
- Indian Bank merged with Allahabad Bank



In India Public Sector Banks (12)

11 Nationalised Banks + SBI
↓
Largest Bank of India

- Punjab National Bank
- 19th May, 1894
- Headquarters- New Delhi

- Canara Bank
- 1st July, 1906
- Headquarters- Bengaluru (Karnataka)

- Bank of India
- 7th September, 1906
- Headquarters- Mumbai (Maharashtra)

- Indian Bank
- 5th March, 1907
- Headquarters- Chennai (Tamil Nadu)

- Union Bank of India
- 11th November, 1919
- Headquarters: Mumbai (Maharashtra)

- Central Bank of India
- 21st December, 1911
- Headquarters- Mumbai (Maharashtra)

- Bank of Baroda
- 20th July, 1908
- Headquarters- Vadodara (Gujarat)

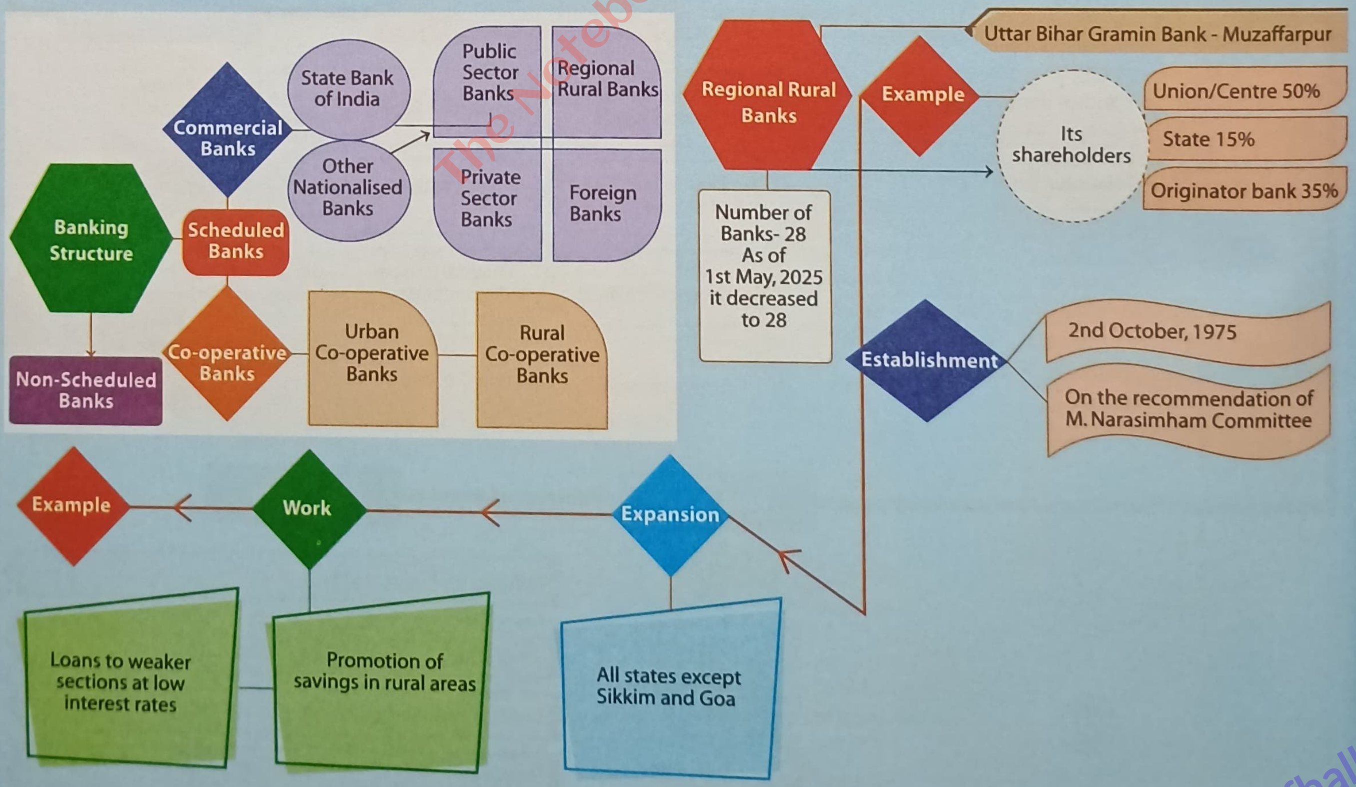
- Punjab & Sind Bank
- 24th June, 1908
- Headquarters- New Delhi

- Bank of Maharashtra
- 16th September, 1935
- Headquarters- Pune (Maharashtra)

- Indian Overseas Bank
- 10th February, 1937
- Headquarters- Chennai (Tamil Nadu)

- UCO Bank
- Year- 1943
- Headquarters- Kolkata (West Bengal)

- State Bank of India
- Year-1955
- Headquarters- Mumbai (Maharashtra)



Banking Structure

Scheduled Banks

Commercial Banks: State Bank of India, Other Nationalised Banks → Public Sector Banks; Regional Rural Banks; Private Sector Banks; Foreign Banks

Co-operative Banks: Urban Co-operative Banks; Rural Co-operative Banks

Non-Scheduled Banks

Regional Rural Banks

Number of Banks- 28 As of 1st May, 2025 it decreased to 28

Example: Uttar Bihar Gramin Bank - Muzaffarpur

Its shareholders:
- Union/Centre 50%
- State 15%
- Originator bank 35%

Establishment:
- 2nd October, 1975
- On the recommendation of M. Narasimham Committee

Expansion: All states except Sikkim and Goa

Work: Promotion of savings in rural areas

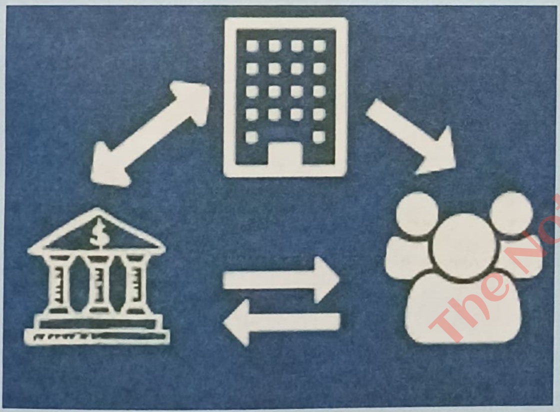
Example: Loans to weaker sections at low interest rates

Lead Bank Scheme

- **Launched**
  - 1969
  - On recommendation of Gadgil Committee
- **Work**
  - Preparation of district credit plan for the identified districts

Private Sector Banks

- **Some Major**
  - Axis Bank
  - HDFC Bank
  - Kotak Mahindra Bank
  - Yes Bank
- **Foreign Investment**
  - 74%
- **No. of Banks**
  - 21
  - 2 Local Area Banks



Foreign Commercial Banks

- **No. in India**
  - 44
- **Major Foreign Banks**
  - Standard Chartered Bank (Britain)
  - HSBC (Hong Kong)
  - Deutsche Bank- (Germany)
  - Bank of Nova Scotia (Canada)
  - American Express Bank Ltd. - (America)

Cooperative Banks

- **State Cooperative Banks**
  - Top co-operative bank of the state
  - Providing loans to the state governments
- **Central / District Cooperative Banks**
  - Work area limited to one district
  - Act as a bridge
    - State Cooperative Banks
    - Primary Cooperative Credit Societies
- **Primary Agricultural Cooperative Committees**
  - Formed by individuals in villages or fields
  - At least 10 members
  - Providing short-term loans for agricultural activities
- **Urban Cooperative Banks (UCBs)**
  - Area of operation : limited to metropolitan cities or limited to semi-urban centres
  - Loans available →
    - Micro, small and medium enterprises
    - Entrepreneurs, retailers, etc.
  - Number of UCBs- 1454
- **Formation of Multi-State Cooperatives Societies**
  - Registered under the Multi-State Co-operative Societies Act, 2002

Self Help Group (SHG)

- In rural areas
- Provide loans to members through SHGs
- To improve the economic condition of poor women

21 Reserve Bank of India and Monetary Policy (Credit Control)

1926
- Recommended by **Hilton Young Commission** as the Central Bank

→

1931
- On the recommendation of Banking Enquiry Committee

→

1935
- Established- 1st April, 1935
- Under- RBI Act, 1934
- Role of the Central Bank for Myanmar (Burma) until April, 1947

→

1949
- Nationalisation on 1st January, 1949
- Governor- Chintamani Dwarkanath Deshmukh

First Governor of RBI

Sir Osborne Smith
From 1st April, 1935
to 30th June, 1937

First Indian Governor of RBI

Sir Chintamani Dwarkanath Deshmukh
From 11th August, 1943
to 30th June, 1949

Present Governor (as of June 2025)

Sanjay Malhotra
(26th Governor)

Headquarters

- Calcutta- Before 1937
- Mumbai- Present
- **Local Board Offices**
  33 Regional offices

New Delhi
Mumbai
Kolkata
Chennai

Management Structure

Central Board of Directors- 21 members
- 1 Governor, 4 Deputy Governors
- 10 executive directors appointed by the government
- 2 government officials nominated by the Ministry of Finance
- 4 Directors (one from each four (4) local boards Mumbai, Kolkata, Chennai and New Delhi)

Functions of RBI

Central Bank of India

1. **Under Minimum Reserve System**
   ↓
   - Total minimum reserve- ₹200 crore
   - Gold worth ₹115 crore
   - Foreign securities worth ₹85 crore
2. **Issue of Notes**
   ↓
   - Except one rupee notes and coin
   - One rupee notes bear the signature of the Finance Secretary, not the RBI Governor
3. Act as Banker to the Banks
4. Custodian of Foreign Exchange Rate
5. Collection of Data & Publications
6. Regulation and control of the Banking System
   ↓
   Granting and cancellation of bank licenses
7. Act as Banker to the Government
8. Protection of Foreign Exchanges Reserves
9. Represents the Government in institutions like the IMF and World Bank
10. Price Stability and Developmental Work

Formulation and Implementation of Monetary Policy

Formulation – By RBI on the advice of MPC

Monetary Policy Committee (MPC) - Formation
- 29th September, 2016
- Based on the recommendation of Urjit Patel Committee

Members- 6
- Chairman- RBI Governor
- 3 members from Government
- 3 members from RBI

Qualitative / Quantitative Instruments of Monetary Policy

Bank Rate

- The rate at which the RBI provides long terms Loans without collateral RBI $\underset{\text{Interest}}{\overset{\text{Money}}{\rightleftarrows}}$ Bank
- During inflation Increases bank rate
- Recession → Decrease in bank rate

Repo Rate

- Interest rate at which RBI lends short-term loans to banks
- Increase in repo rate → Decrease in liquidity with banks
- Decrease in repo rate → Increase in liquidity with banks

Reverse Repo Rate (RRR)

- Opposite of repo rate
- The interest rate at which commercial banks deposit their excess money with RBI and earn interest
- Increase in RRR → Decrease in liquidity in the economy
- Decrease in RRR → Increase in liquidity in the economy

Cash Reserve Ratio (CRR)

- All commercial banks are required to keep a fixed portion of their deposits (NDTL) with RBI in the form of cash
- It ranges between 3% to 15%
- CRR increase → Money supply decrease
- CRR decrease Money supply increase

Statutory Liquidity Ratio (SLR)

- Commercial banks should keep 18-35% of their Net Demand and Time Liabilities (NDTL)
- In the form of gold, foreign currency and RBI goverment approved securities
- In 2017, the minimum limit was removed
- Increase in SLR → Decrease in liquidity in the economy
- Decrease in SLR → Increase in liquidity in the economy

NDTL

Net Demand and Time Liabllities

- Demand Liabilities
  - Savings Account
  - Current Account
- Time Liabilities
  - Recurring Deposit Account
  - Fixed Deposit Account

Open Market Operations (OMO)

- Involves buying and selling of securities, debentures, etc by Central Bank.
- Buying of securities → Increase in the quantity of money in the market
- Selling of securities → Decrease in the amount of money in the market (in inflation)

Liquidity Management Framework (LMF)

- Commenced- 2014 Amendment- 2020
- A bank's repo borrowing should not be more than 1% of its Net Demand and Time Liabilities (NDTL) per day
- A bank cannot borrow more than 2% of its NDTL amount

- **Marginal Standing Facility (MSF)**
  Short-term loans to banks by RBI
- **Standing Deposit Facility (SDF)**
  8th April, 2022, Allows RBI to accept short-term deposits from banks without providing collateral
- **Liquidity Adjustment Facility (LAF)**
  Repo/Reverse Repo operations, adopted in 2000
- **Base Rate**
  Introduced by RBI in 2010; Banks cannot lend below this rate.

Assets

- Deposits of banks with RBI
- Loans given to people
- Investment in government securities
- Investment in share capital

Liabilities

Demand Deposits
- Savings Account
- Current Account
- Time Deposits

External Benchmark Lending Rate (EBLR)

In 2018, RBI mandated that floating retail loans be linked to EBLR such as the Repo Rate

Priority Sector Lending (PSL)

- Sectors included - Agricultural, Education, Housing, Micro and Small Enterprises, Exports Credit, Social Infrastructure, Renewable Energy, etc.
- Banks must lend at least 40% of their adjusted net bank credit to the priority sector including : Agriculture- 18%, Micro enterprises- 7.5%, Weaker sections- 10%

Selective/ Qualitative Instruments

- It does not directly affect credit
- In some sectors, a liberal credit policy is required, which is adopted by RBI as needed

Printing Institutes of India

Currency Note Press
Currency Press Note (1928)
- Nashik (Maharashtra)
- Prints banknotes of ₹1 to ₹100.

Bank Note Press (1974)
- Dewas (Madhya Pradesh)
- Prints banknotes from ₹10, ₹20, ₹50, ₹100, ₹200 to ₹500

India Security Press (1992)
- Nashik (Maharashtra)
- Prints postage stamps, postal orders, and all official documents.

Security Paper Mill, (1967–1968)
- Narmadapuram (MP)
- Produces bank and currency note paper.

Security Printing Press (1982)
- Hyderabad (Telangana)
- Prints central excise stamps

Modern Currency Note Press (1995)
- Mysore (Karnataka) Salboni (West Bengal)
- Modern currency notes

Indian Coins
- Mumbai
- Kolkata
- Hyderabad
- Noida

Minting of coins

22 Payment Systems & Financial Inclusion

Payment System

Real Time Gross Settlement System (RTGS)

- Launched- 2004
- Minimum limit- ₹2 lakhs
- Maximum limit- No limit
- Bank branch - Available 24 × 365 using internet banking

Unified Payments Interface (UPI)

- Launched: 2016 (by NPCI)
- Online solution system
- Usage : Through smart phone, mobile number and Aadhaar number
- Examples: BHIM, PhonePe, etc.
- Limit : ₹1 Lakh
- Available : 24 × 7
- A form of instant payments service.

National Electronic Funds Transfer System (NEFTS)

- Launched- 2005
- No limit prescribed by RBI; limit may be set by individual banks
- Usage : Bank branch, internet mobile banking
- Available: 24 × 7 × 365

National Payments Corporation of India

- Establishment: 2008 by RBI
- Functions: Retail payments and settlement in India
- Establishment of a strong payment and settlement infrastructure

Immediate Payment Service (IMPS)

- Launched : 2010
- Service Provider- NPCI
- Maximum Limit ₹5 lakh
- Usage : Mobile internet, branch, ATMs, etc
- Available : 24 × 7

CARD - 1213
CREDIT CARD
$ XXXX
$ XXXX

Means of Payment System

Aadhaar Enabled Payment System (AEPS)

- Launched- 2016
- Service - By NPCI
- A bank based model
- By using Aadhaar authentication
- Online interoperable financial transactions

Bharat QR

- QR-based payment solution
- Payment can be done through UPI
- Usage- Mobile banking app

Card Payment System

- Usage : Use of debit or credit cards, etc.
- Cashless transaction facility
- Examples : Point of Sale (PoS) terminals
  → Used for retail purchases

IFSC
Indian Financial System Code

Bank name | For future use | Bank branch

X X X X 0 1 2 3 4 5 6

Developed by RBI →

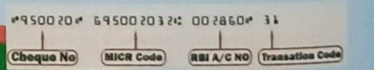
11 digit
↓
- First four displayed to the bank code
- Fifth digit is zero , for future use
- The last six digits indicate the branch of the bank

→

Usages
↓
- RTGS
- NEFT
- IMPS

→

MICR



↓
- Magnetic Ink Character Recognition (MICR) Code
- Written at the bottom of the cheque book
- Use the magnetic ink
- Different for each bank branch
- Total 9 Digit

First three digit
↓
Represent the District code

Next three digit
↓
Represent the Bank code

Last three digit
↓
Represent the Bank branch code

Financial Inclusion

It is the process of connecting the weaker and low-income sections of society, such as vulnerable groups, to the banking system to that they can escape the trap of moneylenders.

Means of Financial Inclusion

- Bank Account
- Affordable Credit
- Financial Education/ Literacy
- Insurance
- Pension
- Payments & Remittances and Savings

Initiatives towards Financial Inclusion

Microfinance Savings Bank (1974)

- Micro Finance
- First used - By Muhammad Yunus in 1977
- Duration - 36 months
- Microfinance amount : Less than ₹ 1 lakh

Kisan Credit Card Scheme (1998)

Kisan Credit Card Yojana
KISAN CARD
RuPay
DEBIT

- Started in 1998
- Availability of credit for essential resource to poor farmers

Direct Benefit Transfer (2013)

- Direct cash transfer to beneficiaries of government schemes into their bank accounts

Prime Minister Jan Dhan Yojana (2014)

- Universal acces to banking services, free Rupay debit card, creation of credit guarantee fund
- Financial literacy, pension scheme for unorganised sector
- Saving bank account overdraft facility up to ₹10,000
- Suraksha Bima - ₹2 lakh accident insurance

Mudra Bank (2015)

Micro Units Development and Refinance Agency Bank

Four Categories

- Shishu – up to ₹50,000
- Kishore – ₹50,000 to ₹5 lakh
- Tarun – ₹5 lakh to ₹10 lakh
- Tarun plus – Loan up to ₹20 lakh after prepayment of previous loan

Sukanya Samriddhi Account Scheme (2015)

बेटी बचाओ बेटी पढ़ाओ

- Opening bank accounts in the name of girl child from her birth till the age of 10 years through post office or bank
- This account is tax free

Small Finance Bank (2016)

- Approved by RBI – 2015
- Committee – Nachiket Mor, Usha Thorat
- Accept deposits, lending
- No deposit limit

Darpan Project (2017)

- The goal of financial inclusion through the post office has been achieved
- Enhancing financial remittances to rural population, savings accounts, life insurance, etc

Payments Bank (2017)

- Approved by RBI, 2014
- Nachiket Mor Committee
- Accept deposits only
- Only issues debit cards
- Deposit up to ₹2 lakh

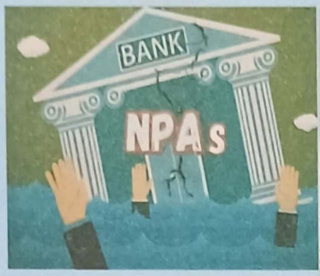
Indian Postal Payment Bank (2018)

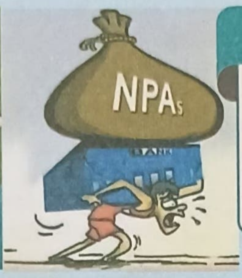
- Providing micro financial services due to proximity to rural population

Self Help Group (SHG)

- Ensures access to finance without collateral

23 Non-Performing Assets (NPA)





What

When a loan's principal or interest remains unpaid for more than 90 days, the loan account is classified as NPA

Wilful Defaulter

A person who does not repay the loan given by the bank even though he is capable of doing so

Identification of NPA

- The 90-day overdue norm was accepted from 31st March, 2004
- Assets identified by the bank's auditor and not written off by the bank, either partially or fully

Categorisation based on risk (NPAR)

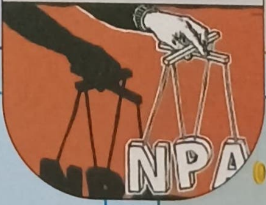
- **Sub-Standard Assets**
  - Assets which are NPA for 3 months to 12 months
  - The securities or collateral behind these loans is sufficient to recover the outstanding dues
- **Doubtful Assets**
  - Assets whose NPA period is more than 12 months
- **Loss Assets**
  - Assets that have been NPA for more than 3 years
  - Identified by the auditor but not partially or fully written off by the bank

Public Sector Asset Rehabilitation Agency (PARA)

- Marked as an independent unit in the year 2016-17
- Under this, there is a provision to identifying and purchasing NPA accounts
- **Solution to two types of problems**
  - Trying to reach a quick settlement with the borrower
  - Negotiating with borrowers and taking strict enforcement action against them

N P A

(Non-Performing Assets)



Non-Performing Asset Ratio (NPAR)

- Share of NPAs as a percentage of the bank's total performing assets
- **Divided into two parts**
  - **Gross Non-Performing Asset Ratio**
    - A loan which is not recoverable, but still shown in the bank's books of accounts
  - **Net Non-Performing Asset Ratio**
    - A loan of which some part has been recovered and still remains in the bank's books after adjustment

SARFAESI Act

- Implemented in-2002 (by the Indian Government)
- **Objective**
  - To empower banks and financial institutions to recover outstanding secured loans by seizing mortgaged property
- **Key Provisions**
  - Right to seize mortgaged property
  - 60 days' notice mandatory
  - Applicable on secured loans
- **Debt Recovery Tribunal (DRT)**
  - Established - 1993
  - Main Function - To play a regulatory role in debt recovery

Insolvency and Bankruptcy Code (IBC)

- **Beginning**
  - In 2016
- **Objective**
  - Resolution, liquidation, and bankruptcy of corporates, firms, and individuals
- **Provision**
  - Provision for settlement of bankruptcy cases within 180 days
- **Other Facts**
  - By the end of 2024, 8175 processes had been started

Financial Services Institutions Bureau (FSIB)

- **Establishment**
  - On 1st July, 2022, in Replacing the Bank Board Bureau
- **Function**
  - Will select the heads of public sector banks and insurance companies
- **Responsibility**
  - To assist in evaluation of Directors of Public Sector Banks, Financial Institutions, and Insurance Companies, Code of Conduct, Creation of Data Bank, etc.

24 Non-Banking Financial Institutions

Definition A company registered under the companies act that engages in financial activities like lending, investment, leasing and hire purchase

- It includes many types of institutions
- Supervision and regulation of three major categories is done by the Reserve Bank of India
- These categories include: All India Financial Institutions, Non-Banking Financial Companies (NBFCs), Primary Dealers

Non Banking Financial Companies

1 Non-Banking Financial Companies (NBFCs)

- All companies registered under the Companies Act, 1956 are included
- NBFCs are now registered under Companies Act, 2013
- **Main Functions** Providing loans, insurance, trading, dealing in shares and debentures, investing, chit funds, accepting different types of deposits
- Also known as Shadow Banks
- According to the Reserve Bank of India, NBFCs are mainly divided into **two categories:**
  - [NBFC-D] Deposit Acceptors
  - [NBFC-ND] Non-Accepting Deposits

2 All India Financial Institutions

- Include Development Finance Institutions and Investment Institutions.
- At present, there are four major All India Financial Institutions.
- Fully regulated and supervised by the Reserve Bank of India
- **Major Institutions**
  - Export-Import Bank of India (EXIM)
  - National Housing Bank (NHB)
  - Small Industries Development Bank of India (SIDBI)
  - National Bank for Agriculture and Rural Development (NABARD)

3 Primary Dealers

- Appointed by the Government and the RBI to to operate in th primary market for goverment securities
- **Objectives -** Maintain liquidity in the government securities market and support debt management of the government

Note ATMs run by NBFCs are white label ATMs

Ombudsman Scheme for NBFCs

- Launched in February 2018 under Section 45(IA) of the RBI Act, 1934 to address complaints against RBI-registered NBFCs
- Provision for appeal
- The complainant is able to appeal against the decision of the NBFC Ombudsman to the Appellate Authority
- Provides cost-free and quick complaint redressal available in respect of deficiencies in services provided by NBFCs
- Mainly operate from Delhi, Mumbai, Kolkata and Chennai

Priority Sector Lending (PSL)

- It is the important sector to where commercial banks are required to give priority while lending
- Indian Scheduled Commercial Banks and foreign banks with 20 or more branches are required to allocate about 40% of their Adjusted Net Bank Credit (ANBC) to this sector
- From 2020, foreign banks with less than 20 branches are also required to allocate 40% of their Net Bank Credit to this sector

- Agricultural loans (direct and indirect)
- Micro, Small and Medium Enterprises
- Education and Home Loans
- Export Credit
- Social Infrastructure and Renewable Energy

25 Insurance Sector in India

Development of Insurance Business in India

1818 Started after the establishment of the Oriental Life Insurance Company (Kolkata) in India began

1850 Establishment of the first general insurance company, Triton Insurance Company Limited (Kolkata)

1870 Bombay Mutual Life Assurance Society became the first Indian insurance company to start functioning

1912 The Indian Life Assurance Companies Act was the first act to regulate insurance business

1928 The government passed the Insurance Companies Act to collect information about life and general insurance businesses

1938 The Insurance Act, 1938 broadened the structure and nature of insurance business

1956 245 Indian and foreign insurance and private societies are acquired and nationalised by the Central Govt.

Insurance Regulatory and Development Authority of India (IRDAI)

01 Formation

On 19th April, 2000, on the recommendation of the Malhotra Committee Included as a statutory body

02 Headquarters

Hyderabad

03 Objective

To regulate, promote and ensure the orderly growth of the insurance industry; To deal with related and incidental matters and protect the interests of policy holders

04 Structure

- 1 Chairperson
- Members
  - 5 Full-time Members
  - 4 Part-time Members
  - Fix according to IRDAI Act 1999 Section 4
- Appointed by the Government of India

05 Function

Inspection of insurance companies to ensure the interests of consumers

Major Insurance Institutions

Life Insurance Corporation of India (LIC)
- Established- September, 1956
- Currently branch offices in countries like Fiji, Mauritius and the UK

LIC

General Insurance Corporation of India (GIC)
- Established- November, 1972
- Later divided into 4 insurance companies

Agriculture Insurance Company of India Limited (AIC)
- Established- 20th December, 2002
- To meet the insurance needs of persons engaged in agriculture and allied activities

AIC

Foreign Investment in Insurance Sector

Insurance Laws Amendment Act, 2015
Raising the limit of foreign investment in the insurance sector from 26% to 49%

Insurance Amendment Act, 2021
FDI limit in insurance sector raised to 49% to 74%
FDI limit in the insurance increased to 100% in Union Budget 2025-26

New Insurance Schemes

Pradhan Mantri Suraksha Bima Yojana

- Started- 2015
- Eligibility: All account holders of 18–70 years of age
- **Key Facts**
  - Annual Premium: ₹20 per annum
  - ₹2 lakh in case of accidental death or total disability
  - ₹1 lakh in case of permanent partial disability

Pradhan Mantri Jeevan Jyoti Bima Yojana

- Started: 2015
- Eligibility: 18–50 years of age
- **Key Facts**
  - Life insurance up to ₹2 lakhs for every bank account holder
  - Annual Premium: ₹436

Aam Aadmi Bima Yojana (AABY)

- Started: 2nd October, 2007
- Eligibility: 18-59 years of age
- JBY merged with AABY on 1st January 2013. AABY unified with PMJJBY in 2017
- **Key Facts**
  - Insurance cover of ₹30,000 for natural death, ₹75,000 for accidental death ₹75,000 for permanent total disability, and ₹37,500 for partial disability

Rashtriya Swasthya Bima Yojana (RSBY)

Later Submerged into Ayushman Bharat PM-JAY (2018)

- Started: 2008 (Ministry of Labour and Employment)
- **Key Facts**
  - Families living below the poverty line
  - ₹30,000 per year per family for hospital treatment through smart card
  - Enrollment Fee: ₹30 per family

INSURANCE POLICY

Insurance Laws (Amendment) Bill, 2015

Passed by the Parliament in March, 2015

Provisions

- Raising FDI limit to 49%
- Establishment of self-regulatory bodies
- Permission to raise funds from the capital market
- Appointment of IRDA

Objective

Along with protecting Indian ownership and control, the overall cap for foreign investment was increased from 26% to 49%.

Amendment Act, 2021

- Passed Year: 2021
- Foreign Direct Investment in the insurance sector raised from 49% to 74%
- In the Union Budget 2025-26, the limit was increased to 100%

Insurance Ombudsman

- Implemented to ensure the protection of policyholder's interests, requiring a mediation or regulatory intervention
- Reforms, the number of Ombudsman offices has increased from 17 to 22
- The complainant has the right to file a complain with the Ombudsman having jurisdiction over the concerned office

26 Money and Capital Markets

Finance Market
The financial market in a country act as a link between deficit spenders and surplus spenders

What
A market where short-term securities are bought and sold

Indian Money Market

Loans Based on Maturity

Term Money	Notice Money	Call Money
Maturity period: 14 to 365 days	Maturity period: 2 to 14 days	Maturity period: 1 day

Sub-markets of the Money Market

01 Call Money Market

- Related to the day-to-day fund requirements of banks
- For short-term funds (from a few hours to up to 14 days)
- The interest rate depends on the size of the loan and the liquidity position of the banks

02 Interbank Call Money Market

- For very short-term loans among banks and financial institutions
- Usually loan for one day, sometimes up to 14 days
- RBI does not participate directly but influences rates

03 Commercial Bill

- An unsecured promissory note
- Used by companies to meet short-term financial needs
- For a period of 7 days to up to 1 year
- Issued at a discount, paid at par value on maturity.

04 Trade Bill

- A trade bill is accepted by the buyer to pay the seller
- A draft that guarantees payment after a certain period
- Duration- 30, 60 or 90 days
- A secure instrument as it is accepted by the buyer

05 Certificales of Deposit

- Issued by commercial banks and Indian financial institutions
- Minimum denomination of ₹ 1 lakh
- Maturity issued by commercial banks-period of 7 days to 1 year, by financial institutions-period of 1 year to up to 3 years

06 Treasury Bill

- A promissory note, issued by the Government (managed via RBI)
- Highly liquid and easily transferable to another party
- Used for short-term borrowing by the government
- Issued for 91, 182 and 364 days

Indian Capital Market

What

Market for borrowing and lending money for more than 1 year (long-term market)

Institutions

Includes primary market, secondary market, long-term lending institutions, bank debentures and bond market

Components

Primary Market
- First time sale of new securities
- Example - IPO, FPO etc.

Secondary Market
- Re-trading of already issued securities
- Major Institutes- NSE, BSE, etc.

Instruments

1 Equity Shares
- Symbol of ownership in the company
- Shareholders receive dividend and voting rights
- High risk, but more profit potential too
- Stocks can be buy and sell on the stock exchange.

2 Preference Share
- Prior rights to dividends and assets compared to ordinary shareholders
- Generally, no voting rights in the entity
- Dividened rate is pre-determined

3 Debenture
- A tool used by a company raise long-term funds from investors
- Payment at a fixed interest rate also called coupon rate
- Represents liability, not ownership

4 Bonds
- Issued by government or companies to raise long-term capital
- Depends on fixed tenure and interest rate
- Government bonds are less risky

5 Mutual Funds
- Collective investment scheme
- Collected funds from multiple investors, directed by a fund manger for investment in various securities management to investors

6 Exchange Traded Funds
- A type of investment fund
- Traded on stock exchanges like shares
- Low-cost investment and high liquidity

7 Depository Receipts
- A medium for foreign investors to invest in Indian companies
- American Depository Receipts (ADR) or Global Depository Receipts (GDR), both are its fundamental types

8 Derivatives
- Such financial instruments whose value depends on some other underlying asset
- Example - Futures, options
- Useful for both hedging and speculation

Unorganised Money Market

Definition

The financial sector where the borrowing and lending of money take place without any government control or regulation

Interest Rates
- Extremely high
- Loans terms are unclear and strict

Regulation
- Operates without license or recognition

Main Components
- Moneylenders, Mahajans, Private Financiers, Chit Fund Institutions, etc.

27 Stock Exchange and Credit Rating Agencies in India

Stock Market

- A term commonly used for secondary market
- Different types of securities are traded, for example shares, debentures, bonds and regular buying and selling take place

Features

- Provide immediate and continuous markets
- Ensures security in transactions and investments
- Facilitates mobility of savings into productive capital
- Measures business and economic conditions

Major Stock Markets of India

↓

- 1875 AD -Bombay Stock Exchange (BSE) was first stock exchange established in India
- After that, Ahmedabad, Calcutta, and Madras exchanges were established
- Currently, only BSE and NSE are fully operational

Commodity Exchange

- **Trading in many types of commodities**
- **Agri and non-agri commodities included**
- **Non-agri commodities include silver, zinc, brass, etc.**
- **Agricultural commodities include metha, gram, soybean, turmeric, etc.**

- Multi-Commodity Exchange of India Limited (MCX)
- National Commodity and Derivatives Exchange Limited (NCDEX)
- Indian Commodity Exchange Limited, Navi Mumbai (ICEX)
- National Multi-Commodity Exchange of India (NMCE) merged with ICEX in 2017

Important Stock Markets of India

Bombay Stock Exchange ①

- Establishment- 1875 AD
- Functions to enhance transparency in trading of securities, shares, debentures, derivatives, mutual funds, etc and project the interests of investors

Important Facts

- Asia's oldest
- World's largest in terms of registered companies
- National Index: Top 100 companies and sensitive index related to top 30 companies

Major Indexes

- BSE 500- *Largest base index*
- **BSE 200**
  - → **200** *Index of 200 large-base companies*
  - → *The price of the share is in dollars; hence, the name 'Dollex' is popular*
- **National Index**
  - → *Quotes in important regional market*
  - → *100 companies involved*
- IndoNext → BSE + *By FISE for small companies*
- **BSE Greenex**
  - → Country's first eco-friendly stock price index
  - → To promote green investment in the country

Sensex

↓

Affiliated with 30 top companies at present

National Stock Exchange ②

- Establishment- In the year 1992 (recommendation of Pherwani Committee)
- Headquarters- Mumbai

Key Facts

- India's most important stock market
- Lead promoter of Industrial Development Bank of India
- Entire country as its operation area

Index

- S & P CNX Nifty
- CNX Nifty Junior
- CNX 100
- CNX Midcap
- India VIX

Over the Counter Exchange of India (OTCEI) ③

- Established - In 1990
- Headquarters - Mumbai
- Objectives - To raise finance for new projects at low-cost and provide trading facilities to investors in a transparent and efficient manner

Key Facts

- First online trading facility in India as an exchange for small and medium industrial units
- Listed companies with capital level between ₹30 lakh up to ₹25 crore

Not Operational since 2015

Social Stock Exchange ④

- Establishment- Through proposal in Union Budget 2019-20

Key Facts

- A platform for raising fund's electronically
- Provides investors with the opportunity to purchase shares in social enterprises

Operationalised in Dec. 2022 with National Stock Exchange (NSE)

Credit Rating

- Determines the borrower's credit worthiness or ability to repay a loan
- First started in America
- Purpose-Provide an assessment of the borrower's repayment capacity

Major Credit Rating Agencies in India

CRISIL

- Establishment-1987
- Headquarters: Mumbai

Key Facts

- Rating, research, risk and policy advisory services
- Full Name: Credit Rating Information Services of India Limited

ICRA

- Establishment-1991
- Headquarters: Gurugram

Key Facts

- Professional and independent credit rating agency
- Partnership with Moody's
- Full Name: Investment Information and Credit Rating Agency

CARE

- Establishment- 1993
- Headquarters: Mumbai

Key Facts

- The ratings prepared by it, are certified by the bank
- CARE ratings recognised by RBI, SEBI and other regulatory bodies

Credit Rating Agencies of the World

Famous by the name of Big Three credit Rating Agency

	Establishment	Headquarters
Standards and Poors	1860	New York
Moody's	1909	New York
Fitch	1914	New York

Cate-gories of Ratings

- A - Ability to repay the debt, but affected by adverse circumstances
- AA - Ability to repay the debt
- AAA - Strongest and best position
- BBB - Ability to repay the debt, but slightly affected by adverse circumstances, considered average safety
- CC - Currently in a very weak position
- D - Failure to repay loan

Global Stock Markets

Index	Country
Hang Seng	Hong Kong
JCI	Indonesia
TWSE Weighted Index	Taiwan
Imp Nikkei	Japan
KOSPI	South Korea
FTSE Bursa	Malaysia
Imp SET Index	Thailand
FTSE 100	UK
Imp NASDAQ Composite	USA
D Jones (DJIA)	USA (New York)
Imp S & P	USA
Imp Frankfut	Germany
Shanghai	China

28 Public Finance and Fiscal Policy

Public Finance

Meaning

Government finance is also called public finance i.e. Economic activities related to receipt of revenue, expenditure, loans and borrowings and their management by the government.

Subject Matter of Study

- Government Receipt
  - Revenue Receipt
  - Capital Receipt
- Government Expenditure
  - Revenue Expenditure
  - Capital Expenditure

Mainly Two Types

Revenue Receipts
- Receipts that neither increase the liabilities of the government, nor decrease its assets
- Divided into two parts: Tax Revenue and non-tax income

Capital Receipts
- Receipts which have to be repaid by the government in return
- Receipts that increase the liabilities of the government and decrease its assets.

Revenue Expenditure
- Government expenditure that neither creates public assets nor reduce public liabilities
- Example - interest payments, subsidies, etc

Capital Expenditurs
- Government expenditure that either creates public assets or reduces public liabilities
- Example - creation of public assets, etc

Public Expenditure

Expenditure incurred by government authorities.

Types

Plan (Schematic) Expenditure
- Developing nature
- Helps in increasing public income

Non-Plan Expenditure
- Non-developing nature
- Defence, expenditure, interest, subsidy, administrative expenses etc.

Public Debt
- It is a loan which is used to meet government expenditure, it taken from the general public, banks or foreign institutions
- When the government's income is not sufficient, it borrows money to bridge this gap

Financial Administration
- Receipt, expenditure, strain of revenue by the government, the process of management and budget formulation
- Objective- Effective and transparent use of public funds

Fiscal Policy

Introduction

Activities relating to the income and expenditure and borrowings of the Government

Why Necessary?

Budgeting for a low deficit during the period of high inflation

Adoption of benevolent management

Reducing taxes on essential commodities

Economic Stability

Under this, policies to bring economic stability in the country are discussed

Financial Losses

If the expenditure of the government is more than its receipts then the government takes recourse to this system

Types of Financial Losses

Based on Finance

- Budget Deficit
- Total expenditure is more than the total receipts in the budget
- It includes revenue expenditure and capital expenditure in public expenditure
- Public receipts include revenue receipts and capital receipts.
- Budgetary Deficit = Total Budget Expenditure- Total Budget Revenues

On the basis of Exchange

Revenue Deficit
- Revenue expenditure is higher than total revenue receipts
- Excludes capital expenditure and capital receipts
- Revenue Deficit = Revenue Expenditure – Revenue Receipts

Fiscal Deficit
- When borrowings and other liabilities to be added in the budgetary deficit
- Fiscal Deficit = Budgetary Deficit – Borrowing and Other Liabilities

Primary Deficit
- When interest liabilities are removed from the fiscal deficit, it is called Primary Deficit
- Primary Deficit = Fiscal Deficit – Interest Payment

Capital Deficit
- Difference between government's capital receipts and capital expenditure
- If government's capital gap fixed, capital receipts increased

Fiscal Consolidation

Beginning - In 1991

The process in which the government makes necessary changes in fiscal policy to reduce various types and deficits

Fiscal Responsibility and Budget Management Act, 2003

Introduced In 2003

Purpose

To establish fiscal discipline and control the fiscal deficit

Provisions Imp
- The government has to reduce its fiscal deficit, keeping it within a certain limit.
- Annual medium-term fiscal policy provision of the government is mandatory to submit.
- Setting goals to eliminate revenue deficit.

Revisions
- Major amendments in the year 2012, 2013.
- Changes based on NK Singh Committee
  1. Priority to achieving the fiscal deficit target instead of revenue deficit
  2. Implementation of the leverage guideline

Importance
- Promote fiscal discipline
- Transparency and accountability in the budget process
- Signal stability to investors and the market
- To save the government from falling into a debt trap

Effective Revenue Deficit
- Presented in the Budget for the Financial Year 2011-2012
- It shows how much of the total revenue loss of the government is engaged in developmental works
- Effective Revenue Deficit = Revenue Deficit – Capital support given in grants

29 Budget and Its Types

Introduction

Budget

Article 112 of the Constitution provides for the annual financial statement

A financial document through which the government estimates the income-expenditure of the upcoming financial year

Distribution, redistribution and regulation of economic resources by the government

Objectives

- Balanced allocation of resources
- Ensuring economic stability
- Reducing economic inequality
- Encouraging GDP growth

Components of Budget

Revenue Budget

Includes the government's revenue receipts and revenue expenditures.
It is based on the concept of maximum welfare of the people Example-MNREGA

Capital Budget

Includes capital receipts and capital expenditure.
It is based on the concept of maximum growth of combined Gross Domestic Product

Special Facts

Maximum number of budget presented in India by Finance Minister – Morarji Desai. CD Deshmukh ensured in 1955-1956 that all budget-related documents should be printed in Hindi

Budgetary History of India

Origin of the Words 'Budget'

- Originated from the French word bouge, which means – leather bag
- Referred to as the magic box in 1733 AD
- The term 'budget' was first formally used in 1803 AD

First Budget in India

By James Wilson on 18th February, 1860, submitted in India

Budget in Independent India

- Foundation of the modern budget system-Bombay Plan (1944) **Principal Composers:** John Mathai, GD Birla, JRD Tata
- First Budget of Independent India by RK Shanmukham Chetty (26th November, 1947)
- John Mathai presented the first budget of the Republic of India (1950)

Types of Budget

General Budget

- The annual budget of the Central Government, which refers to revenue and Capital income and expenditure
- Provides comprehensive coverage of all ministries and departments.

Performance Budget

- Related to execution of departmental work
- Helpful in increasing accountability and efficiency

Outcome Budget

- Links inputs with outcomes
- Tangible results achieved through cash allocation
- Enables assessment of the input of actions

Zero-Based Budget

- Budgeting from scratch every year, not basing on the previous year
- Reduces wastage and unnecessary expenditure helpful in preventing resource misallocation

Balanced Budget

- Total income of government equals to total expenditure
- Demonstrates fiscal discipline and stability
- This growth is affected in economic downturn.

Gender Budget

- Improving the economic status of women
- Accounting of women-centric schemes
- Promoting gender equality

Separate Railway Budget

Together Again

2017-2018, Railway Budget again presented together with the General Budget

Beginning

Railway Budget presented separately since 1924

Acworth Committee

Separate Railway Budget started on the recommendation of the Acworth Committee, constituted for rail development.

Other Types of Budget

Loss Budget

- Proposed expenditure is higher than proposed income
- Situation of borrowing or deficit financing
- Currency expansion and inflation risk

Supplementary Budget

- For unforeseen causes; for example, natural disasters, decline in revenue, etc.

Single Budget

- A single budget for all departments and programmes
- Prevalent in Britain and America.

Polymer (Multiple) Budget

- Separate budget for each department
- Prevalent in countries like France, Switzerland, etc.

Item-Based Budget

- The amount is sanctioned, but the details are not given.
- Freedom to departments in case of reorganisation
- Vote- on- Account similar budget

Interim Budget

- Provisional budget, presented under special circumstances
- Presented at the time of Lok Sabha elections
- Vote-on-account
- Parliament's permission for only essential expenditure by the government

30 Tax and Its Types

Introduction
- A mandatory payment that a government collects from citizens and organisations to provide public services and welfare schemes
- **Features**
  - It is mandatory, not voluntary
  - No direct service is provided in return of tax
  - Major source of revenue
- **Objective**
  - Means of revenue collection
  - Reduction in economic inequality
  - Control of inflation /recession
  - Instrument for Social and Economic Policy Making

Goods and Services Tax (GST)
- An integrated indirect tax system
- Applicable to supply of goods and services
- Various pre-existing indirect single taxes at the central and state levels are integrated into it
- **Goal** – One Nation, One Tax

Imple-mented – On 1st July, 2017 (enacted by the 101st Constitutional Amendment Act, 2016)

Constituents
- **CGST**
  - Applicable to supplies within the State
  - Collected by the central
- **SGST**
  - Applicable to supplies within the State
  - Collected by the State
- **IGST**
  - On interstate trade
  - Collected by the Centre (distributed to States)
- **UTGST**
  - Applicable to Union Territory
  - Collected by Central Government

Benefits
- Reduction in multiplicity of taxes by cascading effects
- Increase transparency
- Increase in logistics costs

Tax Rates
- 5% and 18%
- Certain commodities like petrol, diesel, liquor (still out of it)

Note - From 12th September, 2025 GST 2.0 will be implemented (Instead of four slabs, GST will have only two slabs) Earlier there were four rates - 5%, 12%, 18% and 28%

GST Council
- **Introduction**
  - A constitutional body Article 279(A)
  - Takes all decisions related to GST
  - Working process is clear in the Constitution
- **Structure**
  - Chairman – Union Finance Minister
  - Member – Union Minister of State for Finance
  - Finance Minister of each State
  - Representatives from Union Territories

Tax System in India

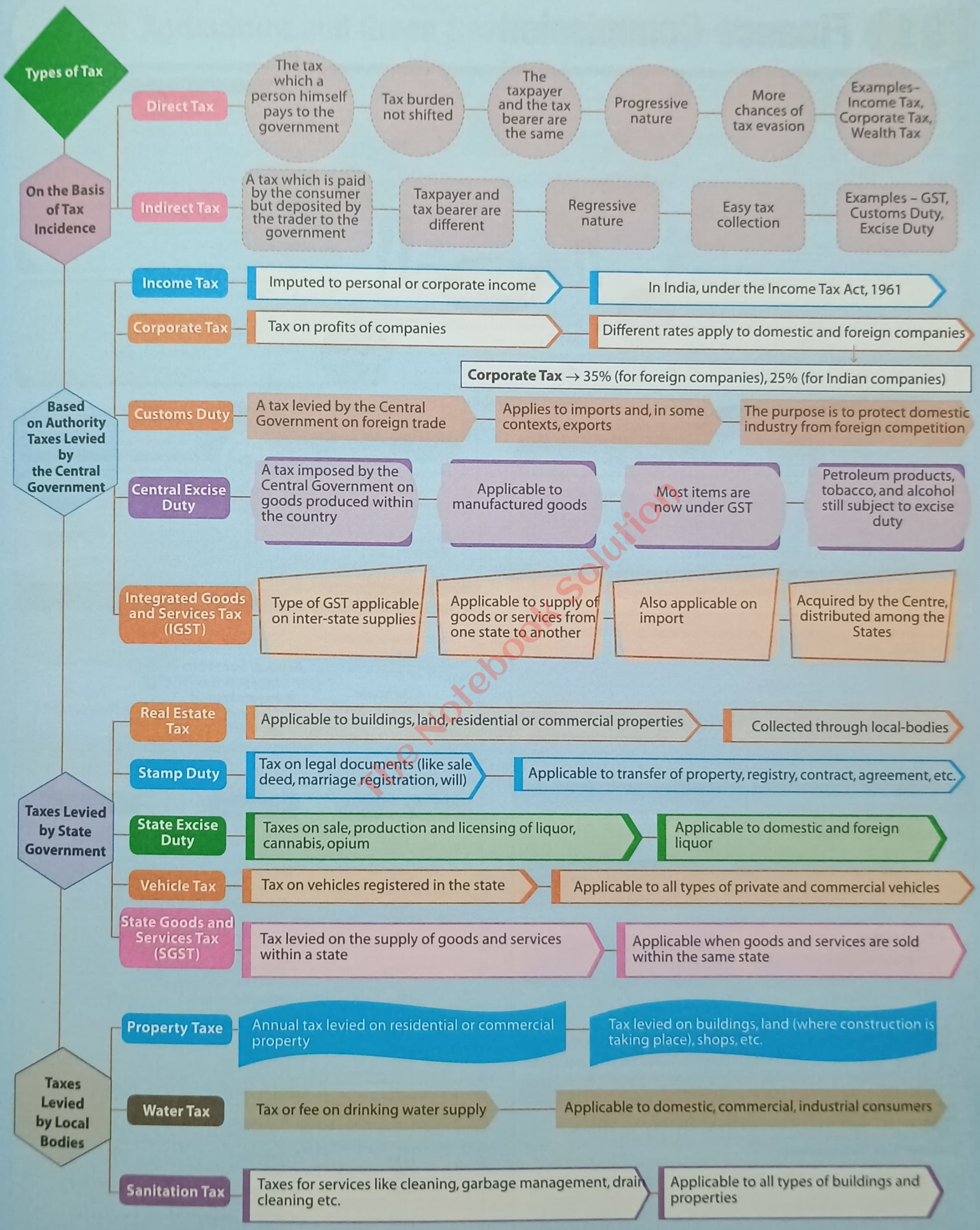
- **Board of Direct Taxes** – Policy-making and administration for direct taxes
- **Board of Indirect Taxes** – Administration of indirect taxes
- **GST Council** – Decision-making body of the indirect tax system

Major Commissions/ Committees Related to Tax

Year	Committee/ Commission	Objective
1976	L.K Jha Committee	Indirect tax reforms
1991	Chelliah Committee	Direct tax reforms
2002	Kelkar Committee	Restructuring of the tax system
2015	Arvind Subramanian Committee	Review of GST rate structure

Tax Reform Timeline

1991	Simplification of taxes after liberalisation
2004	VAT system implemented
2017	GST implemented
2020	New alternative income tax rates



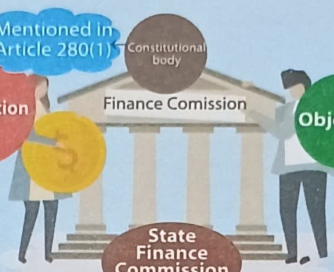
Types of Tax

- **On the Basis of Tax Incidence**
  - **Direct Tax**
    - The tax which a person himself pays to the government
    - Tax burden not shifted
    - The taxpayer and the tax bearer are the same
    - Progressive nature
    - More chances of tax evasion
    - Examples- Income Tax, Corporate Tax, Wealth Tax
  - **Indirect Tax**
    - A tax which is paid by the consumer but deposited by the trader to the government
    - Taxpayer and tax bearer are different
    - Regressive nature
    - Easy tax collection
    - Examples – GST, Customs Duty, Excise Duty
- **Based on Authority Taxes Levied by the Central Government**
  - **Income Tax**
    - Imputed to personal or corporate income
    - In India, under the Income Tax Act, 1961
  - **Corporate Tax**
    - Tax on profits of companies
    - Different rates apply to domestic and foreign companies
    - **Corporate Tax** → 35% (for foreign companies), 25% (for Indian companies)
  - **Customs Duty**
    - A tax levied by the Central Government on foreign trade
    - Applies to imports and, in some contexts, exports
    - The purpose is to protect domestic industry from foreign competition
  - **Central Excise Duty**
    - A tax imposed by the Central Government on goods produced within the country
    - Applicable to manufactured goods
    - Most items are now under GST
    - Petroleum products, tobacco, and alcohol still subject to excise duty
  - **Integrated Goods and Services Tax (IGST)**
    - Type of GST applicable on inter-state supplies
    - Applicable to supply of goods or services from one state to another
    - Also applicable on import
    - Acquired by the Centre, distributed among the States
- **Taxes Levied by State Government**
  - **Real Estate Tax**
    - Applicable to buildings, land, residential or commercial properties
    - Collected through local-bodies
  - **Stamp Duty**
    - Tax on legal documents (like sale deed, marriage registration, will)
    - Applicable to transfer of property, registry, contract, agreement, etc.
  - **State Excise Duty**
    - Taxes on sale, production and licensing of liquor, cannabis, opium
    - Applicable to domestic and foreign liquor
  - **Vehicle Tax**
    - Tax on vehicles registered in the state
    - Applicable to all types of private and commercial vehicles
  - **State Goods and Services Tax (SGST)**
    - Tax levied on the supply of goods and services within a state
    - Applicable when goods and services are sold within the same state
- **Taxes Levied by Local Bodies**
  - **Property Taxe**
    - Annual tax levied on residential or commercial property
    - Tax levied on buildings, land (where construction is taking place), shops, etc.
  - **Water Tax**
    - Tax or fee on drinking water supply
    - Applicable to domestic, commercial, industrial consumers
  - **Sanitation Tax**
    - Taxes for services like cleaning, garbage management, drain cleaning etc.
    - Applicable to all types of buildings and properties

31 Finance Commission

Introduction

- Mentioned in Article 280 (1)
- Formed by the President every 5 years
- First Finance Commission formed under the chairmanship of K.C. Neogy
- Currently, the 15th Finance Commission (2021–26) is in effect
- Suggestions for removing horizontal and vertical fiscal imbalances between states



Objective

- To determine the distribution of net proceeds of taxes between the Centre and the States
- Determination of principles for granting aid to states from the consolidated fund
- Recommendations on measures to increase the resources of Panchayats and Municipalities
- Review and recommendation on the existing system of fiscal consolidation for ensuring equitable distribution

Work

- Recommendation to the President regarding taxes to be distributed between the Centre and States
- Recommendation regarding increase in the share of states in net proceeds of taxes
- Also included in matters related to increase in the Consolidated Fund of the states

State Finance Commission

Since 1993 Part -IX (Articles 243(I) and 243(Y)

Review of the financial position of Panchayats and distribution of taxes levied by the state

Members

Total ⑤
- ① Chairman (Public affairs expert)
- ④ Other Members
  - → Judge of High Court
  - → Expert in finance & accounting
  - → Financial expert
  - → Knowledge of economics

15th Finance Commission

Formation 27th November, 2017

Chairman: N.K. Singh

Report: October, 2020

Recommendations of the 15th Finance Commission

- Recommended 41% share in revenue for the states for the FY 2021-25
- For the FY 2020-21
- Recommended an allocation of ₹90,000 crore for local bodies
- 4.31% of estimated divisible revenue

Recommendations on Grants

Revenue Deficit Grants

To eliminate revenue deficit of 17 states

Recommendation of about ₹ 2.9 crore

Sector-specific

States for 8 Sectors

Recommendation of grants worth about ₹ 1.3 lakh crore

State-specific Grants

Social Needs: Administrative Governance and Infrastructure

Water and Sanitation, Tourism, etc.

Disaster Risk Management

- 90:10 for Himalayan and North Eastern
- 75:25 for others
- 15th Finance Commission recommendation ₹3 trillion revenue deficit funding over a period of 5 years till FY 2026

16th Finance Commission

Formation: 31st December, 2023

Chairman: Dr. Arvind Panagariya

Report: 31st October, 2025

Tenure: 1st April, 2026 to 31st March, 2031

Finance Related Committees

Rangarajan Committee

Chairman: C. Rangarajan

A group formed to give suggestions on the management of government expenditure

Report: In the year 2011

List of Finance Commissions

Finance Commission	Chairman	Tenure
1st	K.C. Neogy	1952-57
2nd	K. Santhanam	1957-62
3rd	A.K. Chanda	1962-66
4th	P.V. Rajamannar	1966-69
5th	Mahavir Tyagi	1969-74
6th	K. Brahmananda Reddy	1974-79
7th	J.M. Shelat	1979-84
8th	Y.B. Chavan	1984-89
9th	N.K.P. Salve	1989-95
10th	K.C. Pant	1995-2000
11th	A.M. Khusro	2000-2005
12th	C. Rangarajan	2005-2010
13th	Dr. Vijay L. Kelkar	2010-2015
14th	Y.V. Reddy	2015-2020
15th	N.K. Singh	2020-2021, 2021-2026

32 Agriculture and Green Revolution/Other Revolutions

Indian Agriculture

Introduction

- Agriculture is included in the primary sector
- India feeds 17.5% of the world's population from 2.4% of the world's area
- 54.6% of the population is engaged in agriculture

As per Census 2011

- Indian agriculture is mostly weather dependent

Features

- Main source of employment
- The agriculture sector generates employment for about 49% of the total workforce
- Food security
- Contribution to national income
- Agro-based industries
- Basis of rural development
- Contribution to exports

Five-Year Plans and Indian Agricultural Sector

- **First Plan (1951-56)**
  - → Priority to agriculture
- **Second Plan (1956-61)**
  - → Land Reform
- **Third Plan (1961-66)**
  - → Attempts at agricultural development
- **Fourth Plan (1969-74)**
  - → High priority to agriculture (target of 5% growth in next decades)
- **Fifth Plan (1974-79)**
  - → Eliminate poverty
- **Sixth to Eighth Plan (1980-97)**
  - → Promotion of cooperative farming
- **Ninth Plan (1997-2002)**
  - → Emphasis on sustainable agriculture
- **Tenth to Twelfth Plan (2002-2017)**
  - → Farmers' income

Inputs in Agriculture Sector

- **Fertilizer**
- **Improved Seeds**
- **Use of Water and Irrigation Systems**
  - → At present, 80% of total ground water resources are used for agriculture
  - → Pradhan Mantri Krishi Sinchayee Yojana started to increase irrigation efficiency

Classification of Irrigation Projects

Small Irrigation Project
→ Agricultural land up to 2000 hectares

Medium Irrigation Project
→ Agricultural land between 2000 to 10,000 hectares

Major Irrigation Project
→ More than 10,000 hectares of agricultural land

- **Insecticides** → To protect crops from pests and diseases
- **Use of Agricultural Mechanization**
  - → Labour and time saving
  - → Reduction in crop production cost
  - → Increase in farmers' income

Efforts to Improve the Indian Agriculture Secto

Institutional or Land Improvement

↓

- Elimination of middlemen
- Abolition of Zamindari system
- Regulation of rent
- Consolidation of landholdings
- Fixation of ceiling on land
- Cooperative farming

Technical Improvement

↓

- Modernization of agriculture
- Use of high-yielding seeds
- Use of chemical fertilizers
- Use of insecticides for crop protection
- Scientific farming management
- Farm mechanization

General Improvement

↓

- Expansion of irrigation facilities
- Providing financial credit
- Price support policy
- Good storage system
- Better marketing system

Types of Agriculture

Natural Farming

Jhum cultivation, Mixed farming and Rainfed farming

Organic Farming

Sikkim is India's first organic state (January, 2016)

Benefits of Organic Farming

- → Crop diversity
- → Promotion of animal husbandry
- → Composting
- → Soil management
- → Weed management

Importance of Organic Farming

- → Water conservation, greater contribution of animals
- → More profit with less cost
- → Fewer harmful chemical residues in food
- → Improvement in human health
- → The threat of pollution can be reduced
- → Biodiversity conservation

Classification of Crops

Marketable Crop
- Jute, Sugarcane, Cotton, Tobacco
- Crop sold quickly in the market
- Contribution to agricultural production – 40%
- Produced in 23% of the country's area

Commercial Crop
- **Objective** → Earn money by doing business
- **Crops** → Oil seeds → Sugarcane, Jute, cotton → Tea and Kahwa

GM Crops
- Bt Cotton was allowed under GM crop in 2002
- Insect resistance
- High yield, Climate adaptation
- Less pesticides required

Food Crops
Useful for food
Crops-Paddy, Wheat, Maize, Sorghum, Bajra

Horticultural Crops
- Mango
- Banana
- Apple
- Grape
- Guava
- Turmeric
- Ginger
- Pomegranate

Benefits of Horticultural Crops
- More income to farmers
- Increase in nutrition
- Export possibilities
- Employment opportunity
- Production and profit from less

National Horticulture Board
- **Established**-In 1984
- **Headquarter**-Gurugram

Green Revolution

Introduction
- Dr. William Gaud used the term 'Green Revolution' in 1968 in the context of high-yielding varieties
- The main credit for the Green Revolution goes to American agricultural scientist Norman Borlaug and Indian scientist Dr. M.S. Swaminathan

Main Features
- Use of high-yielding seeds (HYV seeds)
- Use of chemical fertilizers and pesticides
- Development of modern means of irrigation
- Mechanization of agriculture using machines and tractors

Effect →
- Huge increase in wheat and rice production in India
- India became self-sufficient in the field of food grains
- Improvement in the economic condition of the farmers of Punjab, Haryana and states like Western Uttar Pradesh are leading in agricultural production

Negative Aspects
- → Impact on environment → Decrease in soil fertility → Decline in water level
- → Uneven Socio-economic development
- → Decline in traditional farming and loss of indigenous seeds

Second Green Revolution

- To overcome stagnation in the agriculture sector
- To reduce regional imbalances→Launched by Dr. A.P.J. Abdul Kalam in the year 2006
- While the First Green Revolution focused on increasing productivity, the Second Green Revolution focused on increasing agricultural income
- According to this
  - → Biotechnology
  - → Use of genetic engineering → Greater Productivity → Emphasis on development of quality seeds
  - → Drip irrigation
  - → Emphasis on the use of sprinkle irrigation

White Revolution

01 **Beginning** ↓ 1970s

02 **Dr. Verghese Kurien** Father of White Revolution

03 Operation Flood was launched

04 **Objective** ↓ To make the country self sufficient in milk production

05 **Result** — Largest milk producing country; Increase in farmers' income; Rural economy strengthened

Blue Revolution

Beginnings 1980 decade

Father of the Revolution: Dr. Hiralal Chaudhari and Arun Krishnan

Objective
- Increasing fish production
- Effective use of water resources
- Increasing employment opportunities
- Promoting marine and inland fisheries

Miscellaneous Revolutions

Revolution	Related Production
Black Revolution	Petroleum production
Brown Revolution	Cocoa production/Leather production
Golden Fiber Revolution	Jute production
Golden Revolution	All horticulture/Honey production
Grey Revolution	Fertilizer production
Pink Revolution	Onion/Pharmaceuticals /Shrimp production
Red Revolution	Meat/Tomato production
Silver Fiber Revolution	Cotton production
Yellow Revolution	Oilseed production
Evergreen Revolution	Overall development of agriculture
Silver Revolution	Egg production

33 Agricultural Credit, Commission for Agricultural Costs and Prices and Food Security

Agricultural Credit

Introduction

Loan given to farmers for agricultural work

It is used for seeds, fertilizers, pesticides, irrigation, machinery and other agricultural purposes.

Importance

- Helpful in buying high-quality inputs.
- Use of modern technology and machines
- Meeting emergency needs (drought, flood, etc.).
- Increasing crop production and improving farmer's income

Types

According to Duration

- **Short-term (Ephemeral) Credit**
  - For 6-12 months.
  - For seeds, manure, etc.
- **Medium term Credit**
  - For 1-5 years. For irrigation, small tractors, etc.
- **Long term Credit**
  - Above 5 years.
  - For land reforms, borewells, purchasing tractor, etc.

According to Use

- Production Loan-For sowing the crop
- Investment Loans- For agricultural tools, irrigation system, etc.
- Consumption Loan for Household expenses, marriage, treatment, etc.

Sources of Agricultural Credit

Organised sector

- Co-operative Banks, Commercial Banks
- Regional Rural Banks →Established in 1975
- NABARD — Established 12th July, 1982; Main Financial Institution for Agriculture and Rural Development,
- Land Development Bank→Arrangement of long-term loans

Challenges Related To Agricultural Credit

- Less reach of banks in rural areas
- Lack of credit history of farmers
- Misuse of credit
- Dependence on unorganized lenders
- Inability to repay loans on time

Major schemes for Agricultural Credit

- Kisan Credit Card (KCC) → Easily Loan available to farmers
- PM-Kisan Scheme → ₹ 6000 yearly financial assistance
- NABARD Refinance Scheme →Providing funds for giving agricultural loans to banks
- Loan at Subsidised Interest Rate Plans → Discount on interest on timely payment

Commission for Agricultural Costs and Prices (CACP)

Introduction

- CACP was earlier called Agricultural Prices Committee
- Establishment → 1965
- Under the Ministry of Agriculture and Farmers Welfare, Government of India
- Helps farmers to get a fair share of their produce and remunerative prices.

Composition of the Commission

- A Chairman
- Member Secretary
- One official member
- Two non-official members

Functions

- Estimating the cost and benefits of crops
- Providing farmers food items at remunerative prices and reasonable prices to consumers
- Giving suggestions to the government on price policy
- Suggesting measures to increase farmers' income and maintain market stability.

Minimum Support Price (MSP) (Implemented in 1965 in India based on the recommend actions of the Laxmi Kant Jha Committee)

- Government guarantee of minimum price for agricultural produce in India.
- Currently covers 23 crops.

7 Grains	5 Pulses	7 Oilseeds/Oilseeds	4 Commercial Crops
Paddy⊕	Gram*	Groundnut⊕	Coconut
Wheat*	⊕Tur	*Mustard	⊕Sugarcane
Maize⊕	Moong⊕	Saybeen⊕	Cotton⊕
Jowar⊕	Urad⊕	Sesame⊕	Raw Jute
Bajra⊕	Lentils*	Sunflower⊖	
Barley		Safflower*	
Ragi*		Niger seed⊕	

* Rabi Crops
⊕ Kharif Crops
⊖ In some areas– Rabi; in some- Zaid

To see the official MSP List Open the link given below

https://desagri.gov.in/statistics-type/latest-minimum-support-price-msp-statement/

Criteria for MSP Determination

- Production Cost (A2), (A2 + FL), (C2)
  - A2: Actual cash cost of the farmer
  - Cash Cost +Family Labour
  - Cash Cost + Family Labour + Land Rent + Fixed Capital Cost
- Demand and Supply Status
- International Market Price
- Government Procurement Policy and PDS Necessity
- Vision of growth of Farmers income

Procedure for Preparing the Report

- A questionnaire prepared by the Commission (CACP)
- Sending to (For Suggestions/Opinions) Major Farmers, State Governments and National Institutions.
- Holding a meeting from Central Government and various Ministries
  - FCI
  - NAFED
  - CCI
  - JCI
- Based on the inputs, the final report is prepared by the CACP.
- Submission of report to central
- Feedback from Ministries
- Final decision by the CACP Economic Affairs Committee
- In the end, report made public on the website by CACP

Food Security

Meaning
- Everyone should have access to adequate, safe and nutritious food at all times
- So that the need to live a healthy life is fulfilled Nutritious food should be accessible.

Food in India: Security Status
- Social and economical issues
- Poverty and unemployment
- According to FAO, India still has millions of people suffering from malnutrition

Three Dimensions
- Availability
- Arrival
- Security

Food Security Remedies
- National Food Security Act, 2013
- Public Distribution System
- PM Poshan Yojana
- Anganwadi Services
- Antyodaya Anna Yojana
- Pradhan Mantri Garib Kalyan Anna Yojana

Food Security Challenges
- Corruption in distribution system
- Storage problem
- Climate change
- Status of malnutrition

Importance
- Social sustainability and poverty alleviation
- Economic progress of the nation and human resource development
- Improving health, education and productivity
- A step towards self-reliant India

Key Provision

Availability of food grains
- Wheat = ₹ 2/kg
- Rice = ₹ 3/kg
- Coarse grains = ₹ 1/kg
- All these free from 2023 to the next 5 years

Maternity Benefit
- Up to ₹ 6000 to pregnant women cash benefits
- Mid-Day-Meal/Take Home Ration for children from 6 months to 14 year for age

Per Person Food Distribution
- 5 kg/month per person
- Antyodaya family = 35 kg/family every month

National Food Security Act, 2013

Introduction
- **Law made** – 5th July, 2013
- Under the Article 21 (Right to Life) of the Indian Constitution
- Access to food is a legal right

Beneficiary
- About 67% of the population
- **Rural** 75%, **Urban area** 50% Covered under the Act
- Antyodaya Anna Yojana, Advance Priority Houses

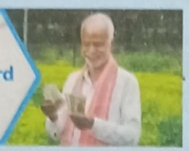
Objective
- Food security for poor and eliminate hunger and malnutrition and food insecurity
- Ensuring the legal right to food

Distribution System
- State Governments implement NFSA and issue ration cards
- Promotes EPOS machines, Aadhaar link and One Nation One Ration Card system

Importance
- Nutrition to the poor at affordable price, eradication of hunger and poverty
- PDS reforms and digital transparency

34 Schemes and Policies Related to Agriculture

Key Schemes



Kisan Credit Card Scheme

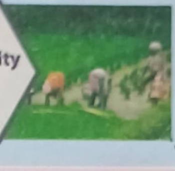
Launch- 1998

Objective- Availability of credit at subsidised rates

National Agricultural Development Scheme

Launch- 2007

Objective- To increase public investment in agriculture and allied sector



National Food Security Mission (NFSM)

Launch- 2007

Objective- To increase agricultural growth rate and develop agriculture (Innovation, Infrastructure, and Marketing)

Soil Health Card Scheme

Launch- 2015

Objective- To increase productivity by providing information on soil health

PM Krishi Sinchai Yojna

Launch- 2015

Objective- Water to every field, better water management

Integrated Horticulture Development Mission

Launch- 2014

Objective- To promote the growth of horticulture sector through area based regionally differentiated strategies

Paramparagat Krishi Vikas Yojana

Launch- 2015

Objective- To promote organic farming practices and support development of organic products

e-NAM Scheme

Launch- 2016

Objective- Online Krishi Mandi platform; Transparency, better price realisation

PM Fasal Bima Yojana

Launch- 2015

Objective- To provide financial assistance to farmers to crop losses

PM Kisan Samman Nidhi

Launch- 2019

Objective- To provide basic financial support of ₹6000 to farmers

Policies

Organic Farming Policy

- Reduce the harm caused by chemical farming
- Promotion of organic farming under Paramparagat Krishi Vikas Yojana and Bharatiya Prakritik Mission
- Provide training, certification and market access to farmers

National Agricultural Policy (2000)

- Sustainable development and stable growth of agriculture
- Achieve 4% annual agricultural growth rate
- Increase farmers' income and promotion of export
- Emphasis on organic farming, research and risk management

Export Policy - (2018)

- To double the agricultural exports, through agri-exports clusters, storage and supply chain improvements
- Increase competitiveness in global markets

Price Policy

- Provide fair value to farmers
- Recommendation of MSP by CACP

Food Policy

- Provide affordable and nutritious food to the public
- Ensure production, distribution and supply under PDS, NSFA, targeted public distribution

35 Land Reforms in India

Land Reforms in India

To fulfill the objectives of land reforms, three main steps were taken by Indian Government

Meaning

To bring about such changes in the land ownership and land use system that can improve the socio-economic condition of farmers

Land Reform – Poverty Alleviation – Agriculture Productivity – Social Justice

Termination of Revenue System

1. Zamindari System
2. Mahalwari System
3. Ryotwari System

Tenancy Reforms

Regulation of Rent
To control excessive rent and end their economic exploitation

Granting Ownership in Tenancy
No farmer can be arbitrarily evicted

Providing Ownership Rights

- Ending exploitation of tenants
- Bringing stability and self-reliance in agriculture
- Ensuring social and economic empowerment of farmers
- Right of land ownership
- Assistance in land purchase
- Direct transfer of ownership

Reorganization of Agricultural Land

Solving the Problem of Small Farms – Leasing – Cooperative Agriculture – Consolidation

Cooperative Agriculture

- Farming through collective efforts
- Beneficial for small farmers
- Adoption of modern agricultural techniques
- Reduce costs, increase profits

Consolidation

- Integrating scattered agricultural resources
- Better use of land
- Promote modern agriculture
- Increase in production
- Successful in Green Revolution areas (Punjab, Haryana, Western Uttar Pradesh)

Distribution of Land to the Poor – **Land Reform**

- Redistribution of land among landless poor 2 to 4 hectares
- Successful example- West Bengal, Kerala and Arunachal Pradesh

Initiatives of Government Indian Related to Land Reforms

National Land Records Modernisation Program

- To digitize land and property registration in India

Svamitva Scheme, 2020

Mapping and title deeds of rural properties

Digital India Land Records Modernisation Program

- Started in 2008
- Objective: Computerising land records
- Digitising maps and linking them with land records

Agricultural Holdings

Meaning

The area of land used by a farmer for cultivation.

Characteristics of Agricultural Holdings in India

- Land holdings are continuously getting smaller due to the tradition of property distribution.
- Problem of land fragmentation
- Mechanisation and irrigation facilities are limited in small holdings

Size of Agricultural Holdings

- **Marginal Holding**: Less than 1 hectare
- **Small Holding**: More than 1 hectare and upto 2 hectare
- **Semi-Medium Holding**: 2 to 4 hectares
- **Medium Holding**: 4 to 10 hectares
- **Large Holding**: More than 10 hectares

According to the Agricultural Census, 2015–16, the total number of operational holdings in the country increased from 138.35 million (2010–11) to 146.45 million (2015–16), showing an increase of 5.86% during this five-years period.

Challenges Related to Agricultural Holdings

- Continued shrinking of holdings
- Increase in the number of marginal farmers
- Production cost is high and profit is low
- Limited use of modern technologies

36 Industrial Development in India

Introduction

- Industrial development reflects the development of a country
- Employment generation
- Increase in workforce

Industrial Development in India

Industrial Area

Public Sector

- Government ownership
- Operation is done through departments formed by the government
- Implementation or operation by the respective ministry

Private Sector

- The New Industrial Policy of 1991
- Post 1991→ All but three (atomic energy, arms and ammunition, and railways) industries were opened to private sector

Combined Area

Suggestion:
Dutt Committee, 1967

Co-operative Sector

Empowering group of people

Other Policies

New Manufacturing Policy 2011

- Boost contribution of manufacturing sector in India under the policy
- Increasing GDP by 25%
- To create 10 crore jobs
- Promote exports
- Promoting high-tech and eco-friendly manufacturing
- Foundation of Make in India initiative

Companies Act, 2013

- Formed for the regulation and formation of companies
- Commencement: 1st April, 2014

Objective

- Strengthening corporate governance
- Protecting investors
- Making business more transparent and accountable

Features

- One Person Company
- Corporate Social Responsibility (CSR)
- Independent Director
- Women Directorship (One women compulsory)
- Fast Track Mechanism
- Strict Punishment and Penalty
- E-Governance, Online Filing

Industrial Policy

01 **Introduction**

Guidelines and plans made by the government for the development of the industrial sector

02 **Objective**

- Economic growth
- Employment generation
- Regional balance
- Technological development
- Global competition

03 **Industrial Policy, 1948**

- Independent India's first industrial policy
- Determined the role of the public and private sectors
- Government involvement in strategic sectors

04 **Industrial Policy, 1956**

- Socialist industrialization
- Industries divided into three categories
- Priority to heavy industry
- Emphasis on development of small and cottage industries

05 **Industrial Policy, 1991**

- Liberalisation, Privatisation, Globalisation (LPG)
- License Raj ended
- Promote (FDI)
- Public sector disinvestment
- Reduction in the role of public sector
- Amendment in MRTP Act

06 **Industrial Initiatives of Government of India**

- Make in India
- Startup India
- PLI Scheme
- PM Gati Shakti Yojana

07 **Requirement for License**

- Defense products
- Nuclear energy
- Dangerous chemicals
- Industrial explosives

08 DPIIT = Department for Promotion of Industry and Internal Trade

↓

Nodal Agency for Industrial Licensing

37

Major Industries in India

Major Industries of India

Introduction

- Industries in India have developed over the past decades
- It not only contributes to economic progress but is also creates jobs

Tea Industry

- **First Tea Plantation:** 1837 AD
- Major Regions: Assam, Darjeeling, Nilgiri
- India is the second largest tea producer in the world (First-China)

Cotton Textile Industry in India

- **Establishment:** 1854 AD (First mill in Mumbai)
- India's oldest and largest industry
- **Major Producing States:** Maharashtra, Gujarat, Tamil Nadu, Punjab

Jute Industry

- **Establishment:** 1855 AD
- First Mill: Risra, West Bengal
- **Major Areas:** Kolkata, Howrah, Barrackpore

Petroleum Refinery Industry

- **Establishment:** 1901 (Digboi) Assam
- **Major Refineries:** Jamnagar, Paradip, Mathura

Sugar Industry

- **Establishment:** 1903
- **First Mill:** Pratappur (Deoria, Uttar Pradesh)
- **Major Producing States:** Uttar Pradesh, Maharashtra, Karnataka
- India is the leader in sugar production

Cement Industry

- **Establishment:** 1904 (Tamil Nadu)
- **Major Producing States:** Madhya Pradesh, Rajasthan, Andhra Pradesh

Iron and Steel Industry

Establishment: 1907 (TISCO)

Major Steel Plants Established in India

Steel Plant	Year	Allied Country
Bhilai (Chhattisgarh)	1955	Soviet Union (Russia)
Rourkela (Odisha)	1959	Germany
Durgapur (West Bengal)	1959	Britain
Bokaro (Jharkhand)	1964	Soviet Union (Russia)

Chemical and Fertilizer Industry

- **Establishment:** 1906
- **Major Regions:** Gujarat, Maharashtra, Tamil Nadu
- **Companies Operating:** IFFCO (Indian Farmers Fertiliser Cooperative) and RCF (Rashtriya Chemicals and Fertilizers Limited)

Aluminium Industry

- **First Aluminium Industry** Established in 1937 (J.K Nagar)
- **Second Industry** Established in 1938 Recyclable, environmentally friendly metal

Automobile Industry

- **Establishment:** 1945
- **Major Centres:** Pune, Chennai, Sanand, Manesar

Information Technology Industry

- **Major Companies:** TCS (1968), Infosys (1981), Wipro
- **Key Regions:** Bengaluru, Pune, Hyderabad, Gurugram

Core Industries

- Backbone of Country's Development
- Core Industries + Industrial Production Index
- Basic industries that are vital to a country's economy
- Provide raw materials, energy, or basic services to other sectors

8 Core Industries Identified by the Government of India

8 Core Industries	Weight (%)
Refinery Products	28.04%
Electricity	19.85%
Steel	17.92%
Coal	10.33%
Crude Oil	8.98%
Natural Gas	6.88%
Cement	5.37%
Fertilizer	2.63%

Importance of Core Industries

- Contribute about 40% to the Index of Industrial Production (IIP)
- Provide infrastructure
- Generate employment
- Contribute to India's GDP
- Make an important contribution to world trade

Industrial Production Index (IIP)

It is an economic index that measures the production level of a country's industrial activities

This index indicates whether the industrial activities in the country are growing, stable, or declining

Publications and Sources

- In India, IIP is published monthly by the National Statistical Office (NSO)
- Base Year: 2011–12

How IIP Helps?

- Indicates GDP growth
- Aids policy makers in decision making
- Shows trends in industrial production
- Helps investors to analyze the market

Purpose

- Evaluation of economic development
- Helping the government in formulating industrial policy
- Assisting the RBI in determining monetary policy
- Providing economic signals to investors and researchers

Key Areas

Construction/Industry – Largest share (~75%) Textiles, Chemicals, Food Stuffs, Vehicles, Machinery

Electricity – Power Generation

Mining – Iron, Coal, Bauxite

38 Industrial Undertakings (Maharatna, Navratna, Miniratna) & LPG

Industrial Undertakings
- Joint Sector Undertakings
- Cooperative Sector Undertakings
- Public Sector Undertakings
- Private Sector Undertakings

Objectives
- To increase production
- To create employment opportunities
- To enhance National Income
- To increase territorial production

Micro, Small & Medium Enterprise

Introduction
- Contributes 30% of the total GDP to the Indian economy
- As per the MSME Act, 2006, 2 Classes of MSME — Manufacturing Activities; Service Activities

Plans directed under Micro, Small & Medium Enterprise
- Pradhan Mantri Mudra Yojana
- PM Employment Generation Programme
- Stand-up India
- Micro & Small Enterprises Cluster Development Programme
- Women Entrepreneurship Scheme
- Ek Bharat Shreshtha Bharat
- Zero Effect Zero Defect
- Credit Linked Capital Subsidy Scheme

MSME The new definition of MSME applicable from April 2025

Type	Investment Limit (Before)	Investment Limit (Now)	Turnover Limit (Before)	Turnover Limit (Now)
Micro Industries	₹ 1 crore	₹ 2.5 crore	₹ 5 crore	₹ 10 crore
Small Scale Industries	₹ 10 crore	₹ 25 crore	₹ 50 crore	₹ 100 crore
Medium Industries	₹ 50 crore	₹ 125 crore	₹ 250 crore	₹ 500 crore

Area of Public Undertakings

Introduction
- Establishment 1986
- Controlled and owned by Centre/State
- Contribute to social and economic development of the country

Maharatna
- Establishment - 19th May, 2010
- Currently there are 14 companies
- Conditions for status

Conditions For Status
- Navratna status
- Listed on the stock market
- Average annual turnover of ₹ 25,000 crore in last 3 years
- Average net profit of ₹ 5,000 crore during this time
- Average net worth of ₹ 15,000 crore in last 3 years

Navratna
- Establishment - 1997
- Number - 26
- Condition for status

Necessary to have Miniratna Category-1 Status
Must score 60% marks out of 100 on Composite Score
Independent Director
Can invest up to ₹ 1000 crore in a project or up to 15% of net worth

Miniratna
- Establishment - 1997
- **Number: 59** → Miniratna-I 49, Miniratna-II 10
- **Three enterprises have received Miniratna (Category-I) status in May 2025** ↓
  1. Munitions India Limited
  2. Armoured Vehicles Nigam Limited
  3. India Optel Limited

https://dpe.gov.in/en/about-us/policy-i-division/list-maharatna-navratna-and-miniratna-cpses-0

List of 14 Maharatna Companies in India (2025)

Bharat Heavy Electricals Limited	BHEL
Bharat Petroleum Corporation Limited	BPCL
Coal India Limited	CIL
Gas Authority of India Limited	GAIL India Ltd
Hindustan Petroleum Corporation Limited	HPCL
Indian Oil Corporation Limited	IOCL
National Thermal Power Corporation	NTPC
Oil and Natural Gas Corporation Limited	ONGC
Power Grid Corporation of India Limited	(PGCIL)
Steel Authority of India Limited	SAIL
Oil India Limited	OIL
Power Finance Corporation	PFC
Rural Electrification Corporation Limited	REC
Hindustan Aeronautics Limited	HAL

To Empower the Industrial Sector

National Indurtrial Corsidor Development Programme
- **Establishment**: 2007
- Developing industrial ecosystem in the country, attract companies for investment, and building smart industrial cities
- At present, 11 National Industrial Corridors are being developed

Make In India
- **Establishment** : Year 2014
- **Objective:** To create India a global manufacturing hub
- Prioritize 25 sectors – Defence production, automobiles, biotechnology etc.

Digital India Mission
- **Establishment**: 1st July, 2015
- **Objective**: To transform India into a digitally empowered society and create a knowledge economy
- Increased transparency and accountability, reduction in corruption Availability of services in rural areas

PM MUDRA Scheme
- **Establishment**: 8th April, 2015
- **MUDRA** - Micro Units Development and Refinance Agency
- **Benefits** - Financial mechanism for small traders, Employment opportunities increased, women empowerment

PM Startup India
- **Establishment**: Year 2016
- **Objective**: Encourage innovation and flexibility
- Tax rebate, funding assistance, easy registration process

Standup India Scheme
- **Establishment**: 5th April, 2016
- **Objective** : Financial assistance to SC/ST and women sentrepreneur
- Promote self-employment and encourage entrepreneurship
- **Benefits**- Economic inclusion, women empowerment, job creation

Power Tax India
- **Establishment**: 1st April, 2017
- A comprehensive plan for the development of Power sector
- Scheme benefits small machinist weavers

PM Gati Shakti
- **Establishment**: 21th October, 2021
- Infrastructure development through multi-modal connectivity
- Reducing logistics costs
- Promotion of Industrial development

Liberalisation, Privatisation and Globalisation (LPG)

→ New Economy Policy, 1991

Liberalisation

- Freedom of trade
- Work-license, tax, and restriction relaxation
- Freedom to profit making industries
- Removal of financial controls
- End of License Raj
- Licensing system for industries abolished (all other than categories)
  - 6 Products → Alcohol, Aviation, Cigarettes, Electronics, Medicines and Risky Chemicals, or Industrial explosives

Objectives of Liberalisation
- Raising foreign capital and technology
- Competition among domestic industries increasing and ensuring economic growth
- The country's global market boundaries expanding, reducing the country's debt burden, etc

Globalisation

- Connecting to the global economy
- Function–Bringing foreign companies to India
- Dimensions of globalisation
  - Outsourcing
  - Role of WTO
- Promotion foreign investment and trade
- Benefits : New technology investment and employment

Main objectives
- Promoting global trade
- Promoting competitiveness
- Enhancing economic growth
- Dissemination of technology and innovation
- Strengthening international cooperation
- Promoting cultural exchange

Privatisation

01 Privatisation of public sector

02 Increase in efficiency and competitiveness

03 Function-Transferring govt. Companies to private hands

04 Benefit-Improued quality and productivity in servisesover services to private companies

05 Main objective of privatisation
- Improving the financial condition of government undertakings
- Reducing the workload of public sector companies
- Increasing competition, productivity, and income
- Generating revenue through disinvestment
- Encouraging healthy competition in services, improving quality and productivity
- Encouraging FDI in India

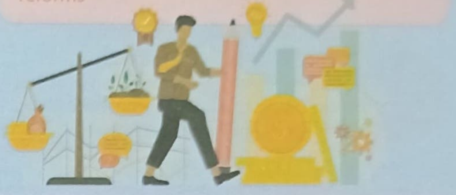
39 Disinvestment Policy

Introduction

- Related to selling partially or fully the Government's stake in Public Sector Undertakings (PSUs)
- Encouraging private investment to enhance efficiency and competitives

Objective

- Reducing government expenditure and fiscal deficits
- Enhancing the efficiency and productivity of CPSEs
- Accelerating capital formation and economic reforms



Types

Type	Details
Minority Disinvestment	The government retains more than 50% stake Usually shares are sold to the public through IPO or offer for sale. Helps increase listing and capital market access of public sector units Example — Life Insurance Corporation of India (LIC)
Majority Disinvestment	The government selling more than its 50% stake Relinquishes management to a private entity Applicable in non-strategic sectors
Strategic Disinvestment	Transfer of ownership of management control to the private sector Example - Sale of Air India to Tata Group, Disinvestment of Balco and Hindustan Zinc Limited
Employee Buy-out Scheme	PSU employees themselves buy shares in the company. Increases employee participation & accountability Relatively rare condition
Asset Monetization	Indirect form of disinvestment. The government earns revenue by monetizing its assets (e.g., land, roads, railway etc.). On long term basis Example - National Monetization Pipeline Scheme
Disinvestment via ETFs	Government sells shares of government companies in stock market through funds like Bharat-22.

Disinvestment Process

Step	Details
Policy Formation	Preparation of the government's disinvestment policy by DIPAM Determining which PSUs will be disinvested and in what proportion.
Departmental Recommandation	Proposal sent to DIPAM by the concerned ministry or PSU. Recommendation includes the company's financial position, market value, and possible disinvestment options.
Valuation & appointment of advisars	Appointment of legal advisor, and transaction consultant. In-depth analysis of the company's financial position, market valuation, liabilities and assets.
Approval Process	Disinvestment proposal approved by 'Group of Secretaries on Disinvestment' (CGD), and then by the 'Cabinet Committee on Economic Affairs' (CCEA). Final approval by CECA
Mode of Disinvestment	Selection of suitable mode of disinvestment.
Revenue Realisation & Reporting	Organising Roadshows to attract potential investors. Include both domestic and international investors.
Price Fixing	Prices of the company's shares by market experts and investment banks
Execution of the deal	Formal execution of the deal upon completion of the sale.
Revenue Reciept and Reporting	Proceeds from disinvestment transferred to the government treasury. Report submitted by DIPAM to Parliament.

National Investment Fund (NIF)

Introduction

- **Formation** - Approved by the Union Cabinet in 2005
- **Beginning** - 6th October, 2007
- **Objective** - The proceeds from disinvestment should be placed in a particular fund, and ensure its productive use.

Features

- A non-profit and non-dividend fund.
- Deposited amount is kept for regulated use only, not included in general revenue.
- Helps in reducing the budgetary deficit.

Uses of income

From 2005 to 2009 (Preliminary Phase):

75% in social schemes and 25% investable.

After 2009

Disinvestment proceeds directly transferred to the government capital expenditure

Management

- Management of the NIF is under the Ministry of Finance-By DIPAM (Department of Investment and Public Asset Management).
- Fund is controlled according to Government investment plans.

40 India and Startups

Startup

- First phase of company operation
- Established by one or more entrepreneurs
- Creating or enhancing demand-based products and services for consumption
- Started with high costs and limited revenue

Introduction

- India has the third-largest startup ecosystem after the US and China-source
- Third largest country in terms of unicorns along with startups

Objective

- Increase revenue and market share
- Introducing new products and services
- Creating employment opportunities, etc.

Startup India Scheme

- Started → 16th January, 2016
- Objective
  - Promoting startups and innovation
  - Accelerating economic development
  - Creating employment opportunities

Challenges and Government Efforts

Challenges

- Lack of funding
- Regulatory and compliance issues
- Scaling challenges
- High failure rate
- Securities acquisition and retention

Other Major Efforts

- Startup India Action Plan
- Capacity building and cooperation
- Outreach and awareness
- International exposure & linkages
- Encouraging ecosystem collaboration

- Startup Maha Kumbh 2025
- Event Date: 3rd to 5th April, 2025
- Venue: Bharat Mandapam, New Delhi
- Department for Promotion of Industry and Internal Trade (DPIIT)
- Objective: To fund startups
- Providing opportunities for networking and connecting with global investors

Major Schemes and Programme

Startup India Seed Fund Scheme (SISFS)	Assisting startups in development work
Credit Guarantee Scheme for Startups (CGSS)	Providing financial assistance
Fund of Funds for Startups (FFS) Scheme	Boosting domestic capital capacity

Current Status and Characteristics of Startups in India

Development and Innovation

- 9 years after Startup India Scheme (2016)
- Number of recognised startups: More than 1.59 lakh (as of 15th January 2025)
- Jobs generated: 16.67 lakh (by October, 2024)
- Third largest startup ecosystem after USA and China
- 16th January 2025 as National Startup Day

Investment Scenario

- Attracted $25 billion in venture capital funding in 2022
- Software services and climate tech continue to see significant funding despite the slowdown in 2023

Regional Highlights

Expansion

- 50% of startups are started in Tier II and Tier III cities
- Example: Indore, Jaipur, Ahmedabad

Tamil Nadu

- $28 billion ecosystem
- 5,000 startups in Chennai

Kerala

- $1.7 billion ecosystem
- Promoting technical idols

* Data can be vary in different sources

Support and Capital Availability

- Tax exemptions, expedited patent process
- Easy regulatory compliance
- ₹10,000 crore Fund of Funds and Bharat Startup Knowledge Access Registry (BHASKAR) started in 2023

Startups and Unicorns

- First stage of running a company (by one or more entrepreneurs)
- Privately owned company
Market capitalisation over US$1 billion

↓

Major Categories: Fintech, Edtech, E-commerce, B2B, etc.

Startups and Unicorns in India

- Third place after America and China
- 122 unicorns (as of May, 2025)
- Major initiative of Government - Startup India Seed Fund Scheme

Crowdfunding

- Raised by an individual or organisation from investors
- Raising funds through online platforms

Donation-based, Reward-based, Equity-based, Debt-based

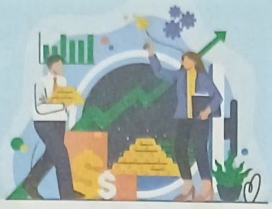
Major Platforms: Ketto/Milaap, Impact Guru, wishberry

Deeptech

Science and engineering-related startups; Examples AI, Quantum Computing, Robotics, Blockchain Technology, Space Technology, Cleantech

41 Investment Model

Investment Model



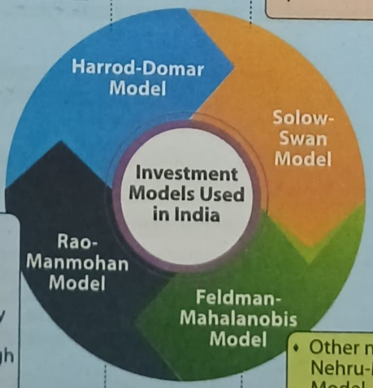
Introduction
Model for investing money in different and specific assets

Investment
- A type of productive expenditure
- The process of investing capital and assets in order to generate future income or wealth
- **Key Areas**
  - **Financial Assets:** Stocks, bonds, mutual funds
  - **Physical Assets:** Real estate, gold
  - **Business Enterprises:** Expansion of business ventures or starting a new business
  - **Education and Skills:** Higher education or skill development

Factors Helpful in Model Selection
- **Savings rate-** Net income after tax
- **Inflation-** Bank interest rate
- Tax on expected return on capital
- Availability of factors of production (e.g., cheap land, labour, etc.)
- Market size and stability

Key Benefits
- Contribution to the economic development of the country
- Boost capital inflows
- Availability of employment opportunities, etc.

Note Promoting significant contribution to the country's economic growth and development through inclusiveness and sustainability



Harrod-Domar Model: Emphasis on Promoting Savings and Technology

Solow-Swan Model:
- Expansion of Harrod-Domar
- Special emphasis on productivity growth

Rao-Manmohan Model:
- Policy of economic liberalization and FDI planned policy
- Economic growth through unlimited Labour Supply or Lewis Model

Feldman-Mahalanobis Model:
- Other name- Nehru-Mahalanobis Model
- Focus on reform in the field of household consumer goods

Types of Investment Models

Major Types of Models

Public Investment Model
- **Features:** Investment by the Government, Use of revenue earned
- **Benefits:** Availability of capital, Employment generation, etc.

Public-Private Partnership (PPP) Model
- **Features:** Cooperation between government and private sector in infrastructure development
- **Benefits:** Risk sharing, Total resource allocation, etc.

Private Investment Model
- **Features:** Investment of domestic and foreign nature
- **Benefits:** Infrastructure development, Employment generation, etc.

Venture Capital and Private Equity
- **Features:** Investing in startups or small businesses with high growth potential
- **Benefits:** Innovation, Job creation, Other growth employment generation, access to features, etc.

Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs)
- **Features:** Raising funds from investors for investment in real estate projects
- **Benefits:** Income generation with liquidity and income diversification

Other Models

Domestic Investment Model – Public or public-private enterprises

Foreign Direct Investment (FDI) – Setting up of a business or acquisition of stake in an enterprise by a foreign entity

Sector-Specific Investment Model – Investments in Special Economic Zones (SEZs) or allied sectors

Cluster Investment Model – Investment in manufacturing industries

The Notebook Edition

42 Service Sector in India

Tertiary Sector
- The part of the economy that provides services rather than goods

Service Sector
- Examples: Telecommunication, Space Services, Hotels, Transportation, Finance, Insurance, Technical Services, Health & Wellness, Entertainment Services, etc.

Service Sector Performance

The contribution of the services sector to total Gross Value Added (GVA) at current prices is expected to increase from 50.6% in 2014 to 55% by FY 2025.

Average growth rate of services expected to increase to 8.3% from FY23 to FY25

Service-Related Business

1. Services exports to increase to $ 387.5 in FY 2024-25 compared to FY 2023-24 ($ 341.1)
2. India ranked among the top five countries in terms of service export growth during FY25 (April–September).
3. Top service sector exports
   - Computer and Information Services
   - Professional Services (Consulting, Accounting, etc.)
   - Transport, Telecommunication, and Travel Services
4. As of November 2024, the total outstanding loan of the service sector is ₹48.5 lakh crore. (Highest Computer and Software Sector)

State-wise share of fixed price services

State	Contribution (%)
Maharashtra	17%
Karnataka	11%
Tamil Nadu	10%
Uttar Pradesh	9%

Gig Economy → A situation of employment where the employee is not permanent but is kept for a short tenure.

Workforce till 2029-30 → As per NITI Aayog, ₹2.35 crore (In 2020–21 ₹77 lakh)

Major Policies and Schemes of the Service Sector

National Broadband Policy

Beginning → 2004

Part of National Telecom Policy

Objective: To develop the potential of tele - education, tele - medicine, e-governance, entertainment and employment generation

↓

National Broadband Mission-2.0
Launched : 1st April, 2025
Aim : To foster digital empowerment and expand high speed broadband across India

National Telecom Policy

Beginning → 2012

Implementation of One Nation One License concept in all service sectors

Providing roaming-free services

Achieving 100% tele-density by 2020

Providing 600 million connections with a minimum 2 Mbps download speed by 2020

Science, Technology and Innovation Policy

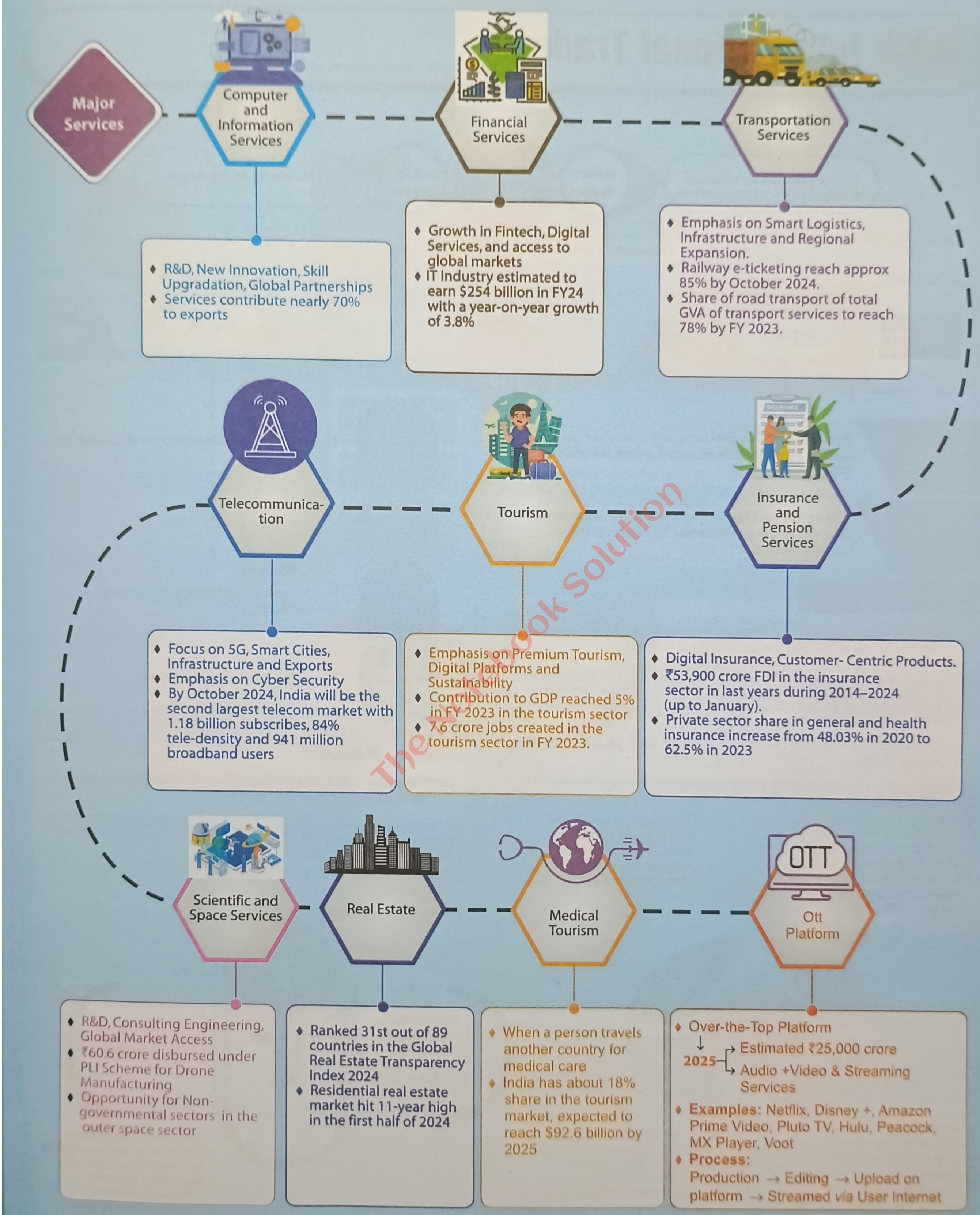
Beginning → 2020

It included individuals and organisations invalved in research and innovation

Major Provisions
- Related with Justice and Inclusion (establishing gender equality)
- Establishment of research centres and educational institutions
- Strengthening the social status of India

Goals of the New Policy Draft

- 1 Gbps broadband facility in all Gram Panchayats by 2022
- Increase unique mobile subscribers from 55 to 65 by 2022
- Increasing connectivity in all areas



Major Services

Computer and Information Services

- R&D, New Innovation, Skill Upgradation, Global Partnerships
- Services contribute nearly 70% to exports

Financial Services

- Growth in Fintech, Digital Services, and access to global markets
- IT Industry estimated to earn $254 billion in FY24 with a year-on-year growth of 3.8%

Transportation Services

- Emphasis on Smart Logistics, Infrastructure and Regional Expansion.
- Railway e-ticketing reach approx 85% by October 2024.
- Share of road transport of total GVA of transport services to reach 78% by FY 2023.

Insurance and Pension Services

- Digital Insurance, Customer- Centric Products.
- ₹53,900 crore FDI in the insurance sector in last years during 2014–2024 (up to January).
- Private sector share in general and health insurance increase from 48.03% in 2020 to 62.5% in 2023

Tourism

- Emphasis on Premium Tourism, Digital Platforms and Sustainability
- Contribution to GDP reached 5% in FY 2023 in the tourism sector
- 7.6 crore jobs created in the tourism sector in FY 2023.

Telecommunication

- Focus on 5G, Smart Cities, Infrastructure and Exports
- Emphasis on Cyber Security
- By October 2024, India will be the second largest telecom market with 1.18 billion subscribes, 84% tele-density and 941 million broadband users

Scientific and Space Services

- R&D, Consulting Engineering, Global Market Access
- ₹60.6 crore disbursed under PLI Scheme for Drone Manufacturing
- Opportunity for Non-governmental sectors in the outer space sector

Real Estate

- Ranked 31st out of 89 countries in the Global Real Estate Transparency Index 2024
- Residential real estate market hit 11-year high in the first half of 2024

Medical Tourism

- When a person travels another country for medical care
- India has about 18% share in the tourism market, expected to reach $92.6 billion by 2025

OTT Platform

- Over-the-Top Platform
  ↓
  2025 → Estimated ₹25,000 crore
  → Audio +Video & Streaming Services
- **Examples:** Netflix, Disney +, Amazon Prime Video, Pluto TV, Hulu, Peacock, MX Player, Voot
- **Process:**
  Production → Editing → Upload on platform → Streamed *via* User Internet

43 International Trade

International Trade

Exchange of goods and services between two nations

Visible Trade: Things that can be touched or see

Invisible Trade: Mainly trade in services

Indian Foreign Trade Structure

Imports

Abundance Import	Petroleum and its products and consumer goods (grains, pulses, edible oil, sugar, paper, rubber, steel, etc.)
Non-Abundant Imports	Capital goods (e.g., machinery, electric equipment), diamonds and precious stones, cotton textiles, cashew nuts, etc.

Top, Five Imports Items

Engineering goods (25.01%), Petroleum product (19.25%), Jewellery (7.48%), Chemical (6.72%), Electronic goods (6.66%).

Top Five Import Source Countries

China (15.1%), Russia (9.1%), UAE (7.1%), USA (6%), Saudi Arabia (4.7%)

Exports

Agricultural Products	Rice, fruits, vegetables, dairy products, fish, etc.
Minerals and Ores	Iron ore, manganese, mica, etc.
Manufactured Goods	Handicrafts, engineering goods, steel, chemicals, etc.
Export Product	Mineral fuels and lubricants, etc.

Top Five Exports Items

Petroleum products (26.6%), Capital goods (11.4%), Jewellery (7.5%), Chemicals (6.6%), Coal (5.8%)

Top Five Export Source Countries

USA (17.7%), UAE (8.2%), Netherlands (5.1%), China (3.8%), Singapore (3.3%)

Merchandise Trade Balance

- An economic index that measures the difference between the value of a country's exports and imports of goods
- Merchandise trade balance = Export value – Import value

Current Account Surplus

Statement of profit and loss in trade of goods, services, income and transfer in a country during a given period

Balance of Trade

- The difference between the value of a country's exports and imports :
- Export > Import → positive trade balance
- Export < Import → negative trade balance
- Exports = Imports → Balance of Trade

Current Account Deficit

- When the total value of imported goods and services exceeds the total value of exported goods and services
- Current account deficit to be 1.2% (of GDP) in Q2 FY25

Foreign Debt

India's total foreign debt is $736.3 billion (till December 2024)

10% higher than March 2024

When a country

- Economic development
- Undertakes various projects to meet the balance of payments, a country borrows from other countries, international institutions or foreign financial institutions

Foreign Trade Policy, 2023

Foreign Trade Policy

Announcement - 31st March, 2023
By - Union Ministry of Commerce and Industry

The approach is mainly based on four pillars

- Export promotion through alliances, exporters, states, districts, Indian missions
- Moving from incentives to exemptions
- Ease of doing business, reduction in business costs, and e-initiatives
- E-commerce Development districts as Emerging Export Hubs and Rationalisation of SCOMET Policy

Schemes/ Reforms Initiated

Amnesty Scheme	For exporters, closure of pending authorisations and opening of fresh ones
Cities of Export Excellence	Total till now - 43 **Four newly declared cities** - Faridabad, Mirzapur, Moradabad, Varanasi
State Holder Scheme	To provide business training
Advance Authorisation Scheme (AAS)	Duty-free import of raw materials (through Domestic Tariff Area access) Extension of AAS to Apparel/Textiles Sector Exports (on self-declaration basis)

Initiatives to Boost International Trade

01 Interest Equalisation Scheme

- A part of the interest rate on loans given by the government to exporters and certain specific sectors is subsidized
- **Objective** - To encourage exports

02 Export Credit Guarantee

Objective - To promote exports by making availability of credit easier

03 Krishi Udana Scheme

To promote the transportation of agricultural products by air

04 Trade Infrastructure for Exports Scheme (TIES)

To assist Central and State Governments in promoting exports and increasing the number of participants

05 One District One Product (ODOP)

- Adopted from the concept of Japanese government
- **Objective** - Preservation of crafts for optimising production, productivity and income
- Export promotion for general public
- Participation of states and districts in the Self-reliant India Mission
- Honey, minor forest produce, traditional herbal products, etc., in tribal areas

Website: mofpi.gov.in/hi/mofpi.gov.in/en/pmfme/one-district-one-Product

For official ODOP List open the given Link
https://www.mofpi.gov.in/en/pmfme/one-district-one-product

44 International/Bilateral Trade Agreements

Introduction

- A legal agreement to set the terms and conditions for trade in goods and services between two or more countries
- Trade agreements between two or more countries by reducing tariffs and other trade barriers

Regional Trade Agreement

Preferential Trade Agreement (PTA)

- A trade agreement between two or more countries.
- In which each other has something special limited exemption in tariff on goods
- Example → Indo-MERCOSUR Preferential Trade Agreement.

Free Trade Agreement (FTA)

- Tariffs on most goods and services and abolition of import quotas and preference
- Objective → To promote trade relations
- Sensitive items not included
- Example → SAPTA to SAFTA ASEAN FTA (between South-East Asian countries)
- Free Trade Arrangement with Sri Lanka in 1998 was India's first truly free trade agreement.

Comprehensive Economic Cooperation Agreement (CECA)

- CECA → Covers trade in goods and services as well as investments
- Objective → To speed up trade relations, access to services and investment.
- Promote technical and financial assistance
- Example → India-Singapore CECA (2005)

  India-Malaysia (2011)

Monetary Union

- When an economic union also unifies the currency, it becomes an economic and monetary union
- Example → European Union

Comprehensive Economic Partnership Agreement(CEPA)

- CEPA → Wider than CECA
- Includes trade, services, investment, stock market, government procurement and dispute resolutions
- Objective → To enhance entrepreneurship partnership and economic participation
- Examples →
  India-Japan CEPA (2011)
  India-South Korea CEPA (2010)

Custom Union

- Free trade agreement among member countries against other countries to adopt the usual constraints
- **Example**
  - → Southern Common Market-MERCOSUR
  - → Gulf Cooperation Council (GCC)
  - → East African Community (EAC)

Common Market

- Developed form of Custom Union
- Free trade and exports between countries.
- Example → Contemporary Market (South America)

Economic Union

- The most developed form of open market agreements
- Its member countries adopt uniform fiscal, monetary and exchange rate policy
- Example → European Union

India's Free Trade Agreements

- India's long standing commitment under WTO agreement
- Priority given to goods and services
- India's concentration on trade with Asian countries
- India's Key Partners- Sri Lanka, Afghanistan, Singapore, Bhutan, Nepal, Malaysia, Japan and regional trade agreement SAFTA and ASEAN

Regional and Bilateral Trade Agreements

Name of Agreement	Date of Signing Agreement	Date of Implementation of Agreement
India-Sri Lanka	28th December, 1998	March, 2000
Agreement on SAFTA (Sri Lanka, India, Nepal, Afghanistan, Bhutan, Bangladesh, Pakistan and Maldives)	4th January, 2004	1st January, 2006 (Fellexemption effective from - 1st July, 2006)
Revised Agreement on Cooperation between the Government of India and the Government of Nepal to control unauthorised trade	October, 2009	27th October, 2009
India-Bhutan Agreement on trade, commerce and transit	17th January, 1972	Changes are made to it from time to time as mutually agreed upon
India-Thiland FTA first Early Harvest Scheme (EHS)	9th October, 2003	1st September, 2004
India-Singapore CECA	29th June, 2005	1st August, 2005
India-ASEAN CECA commodity Trade Agreement, 2010	13th August, 2009	1st January, 2010
Asia-Pacific Trade Agreement (APTA) (China, India, South Korea, Sri Lanka, Bangladesh)	July, 1975 (amended on 2nd November, 2005)	1st November, 1976
India-Afghanistan Preferential Trade Agreement (PTA)	6th March, 2003	May, 2003
India-MERCOSUR (Regional grouping of Uruguay Paraguay, Venezuela, Argentina and Brazil)	25th January, 2004	1st June, 2009
India-Chile Preferential Trade Agreement (PTA)	8th March, 2006	September, 2007
India-UAE Comprehensive Economic Partnership Agreement (CEPA)	18th February, 2022	1st May, 2022
India-Australia Economic Cooperation and Trade Agreement (ECTA)	2nd April, 2022	29th December, 2022
India-European Free Trade Association (EFTA)	10th March, 2024	1st October, 2025

45 Balance of Payment

Balance of Payment

- A systematic accounting record of the economic transactions between a country's residents and the rest of the world
- Generally, for 1 financial year

Errors and Omissions

A balance block

These include adjustments that cover statistical inaccuracies or recording errors.

Major Components

Current Account

A depiction of goods, services, income, and transfers between a country's residents and foreigners

1. **Commodity Trading** – The difference between exports and imports includes oil, machinery, food grains etc.
2. **Service Trading** – IT Services, BoP, Tourism, Transport, Insurance etc. Services. Mostly India's surplus
3. **Income** – Income from investments outside the country (such as dividends, interest) as well as payments of income earned by foreigners from investments made in India
4. **Single Transfer** – Grants, NGO funding, NRI remittances. Transactions that are often given without any consideration when India is in a surplus.

Capital Account

Represents the flow of capital into the country. All transactions that result in inflow or outflow of foreign Currency are included.

1. **Foreign Direct Investment** – Investment of permanent nature (e.g. a foreign company setting up a plant in India) is beneficial for long-term development.
2. **Foreign Portfolio Investment** – Investments by foreign investors in Indian shares, bonds etc. are short-term and volatile (Hot money).
3. **Loans and Borrowings** – Foreign loans taken by the Government of India and the private sector includes commercial loans, external commercial borrowings
4. **NRI Deposit** – Amount deposited by NRIs in Indian banks
5. **Changes in Foreign Exchange Reserves** – Purchases/sales of foreign exchange reserves by RBI to balance BOP

Position of Balance of Payments

Introduction – This means whether the total foreign exchange transaction of a country is in deficit, surplus or balance or not. It reflects the country's economic strength, foreign policy, trade policy, foreign investment etc.

Equilibrium Balance of Payment – When the current account of a country + capital account = 0, that means the country is sending out the same amount of currency as it is receiving. This is an ideal situation

Balance of Payment Deficit – Outflow of foreign currency from the country, due to current account deficit more than inflow and inflow less than capital account

Surplus of Payment – Foreign currency inflows into a country are more positive than outflows, indicating a growth in the country's exports, services or capital investment.

Causes of Balance of Payments Deficit

- Heavy imports and low exports
- Increase in crude oil prices
- Devaluation of rupee
- Decline in foreign investment
- More foreign travel and overseas education spending

Measures to Improve Balance of Payments

- Export promotion
- Import substitution
- Attracting FDI and FPI
- Foreign loans and aid
- Devaluation of rupee

Institutions Related to Balance of Payment

- Reserve Bank of India (RBI) – Compilation and monitoring of BoP data
- International Monetary Fund (IMF) – Functional for setting standards for BoP reporting globally
- DGCI – Compilation of trade-related statistics

46 Foreign Exchange

Introduction

- Exchange of currency of one country for the currency of another country
- Use in international business, travel, investments etc.

Foreign Exchange Reserves and Management Policies

Foreign Exchange Reserves

- Foreign currency and other assets (such as shares of foreign companies, debentures, bonds, gold reserves, special drawing rights (SDR)) held by a country's central bank or monetary authority.
- India's total foreign exchange reserves as of Aug' 2025 are $695.10 billion.

Management Policies

- Need to overcome economic crisis and to gain international trust.
- Measures: Accumulation of foreign exchange, control of trade deficit, maintenance of price stability.

Foreign Currency Assets (FCA)

- It is assets which are valued in terms of another currency.
- FCA is the largest component of forex reserves.

Special Drawing Rights (SDR)

- It is reserve asset for member countries by the International Monetary Fund since 1969.
- SDR value determined based on basket currency.
- Currencies of five countries in the basket:
  - ↳ Dollar (USA), Euro (European Union), Renminbi (China), Yen (Japan), Pound (UK)

Devaluation and Appreciation of Currency

Devaluation

- Depreciation of own country's currency in comparison to foreign currency
  Reason- Business losses
- Decrease in foreign exchange reserves
- Product promotion
- Balance in balance of payments
- Devaluation has taken place three times till now:
  - ↳1949 and 1966 (Fixed exchange rate)
- 1991 (under falling exchange system)

Effects

Decrease in import, Increase in export, Lower GDP, Employment growth, Inflation growth

Revaluation

- An increase in the value of one currency relative to another.
- **Reason**
  - → Excess foreign exchange reserves
  - → Trade advantage (more exports, less import)
  - → Excess investment in the country
  - → Currency stability policy

Effects

Export growth, reduce import, GDP growth, Employment growth Inflation growth

Foreign Exchange Rate (FEX)

The rate at which the currency of one country is converted into the currency of another country
Example-1 USD =Approx ₹ 87

Foreign Exchange Rate System

Fixed Exchange Rate → Set by the government

Variable Exchange Rate → Determined by Market

Managed Floating Rate → Market-based, influenced by the government

Types of Exchange Rates

Nominal Effective Exchange Rate (NEER)

- Weighted (average) rate of rupee in relation to the currencies of many countries.
- This index has more importance with India's trading countries.
- Increase in NEER index-Rupee overvaluation.

Real Effective Exchange Rate (REER)

- Comparison of domestic currency with other currencies for measuring inflation

$$\text{REER} = \text{NEER} \times \frac{\text{Home Price Index}}{\text{Foreign Price Index}}$$

Exchange Rate System in India

Evolution Sequence

- Before 1991 Partial control, Fixed exchange rate
- After-1991 (Post liberalisation) - Partially convertible exchange rate
- 1993 - Single Exchange Rate System introduced
- Current - Market-based exchange rate system

Laws Related to Foreign Exchange

Foreign Exchange Regulation Act (FERA), 1974

Objective
→ Securing foreign exchange reserves in India
→ Implementing foreign exchange control and investment rules.

Abolished and replaced by FEMA in 1999 after liberalisation of the economy.

Foreign Exchange Management Act (FEMA), 2000

Objective To promote foreign exchange and foreign trade in India.
Smooth development of foreign exchange market.

Prevention of Money Laundering Act (PMLA), 2002

Objective To prevent laundering of illegal money by sending it to foreign banks.
Amendments in the years 2005, 2009, and 2011

Money Laundering

The process of concealing illegally acquired currency to make it appear to be from a legitimate source and then attempting to reintroduce it into the normal financial system.

47 Currency Convertibility

Currency Convertibility

Introduction

- The free conversion of a country's currency into another foreign currency
- Determined by market forces (demand and supply)

Example

- **Fully Convertible** - Currency US Dollar, Euro
- **Partially Convertible** - Indian Rupee (IMF Member Country)
- **Non-Convertible** - North Korean Won

Type of Convertibility

Capital Account Convertibility

Complete freedom for the convession of local currency to foreign currency

Local currency to foreign currency

Objective

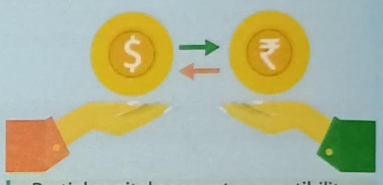
- To attract foreign investors
- To sends a good signal to the global economy

First Tarapore Committee- Formed in 1997, Chairman; SS. Tarapore

Second Tarapore Committee- Formed in 2006

Key Recommendations

- Indirectly regulating investment channels
- Reforms in Banking sector
- Promote foreign investment
- Eliminate revenue deficit



Situation in India

- Partial capital account convertibility in India
- Some sectors and situations are independent

Benefits

- Increase in foreign investment
- Improvement in balance of payments

Challenges

- Risks of economic instability
- Possibility of currency crisis
- Regulation on currency policy becomes difficult

Convertibility on Current Account

Introduction

To convert foreign currency for import and export of goods and services without any restriction

Objective

- To facilitate international trade
- To promote foreign investment

Situation in India

Fully implemented since 1994

Benefits

- Increase in business
- Easy availability of foreign currency
- Financial assistance to non-resident Indians

Challenges

- Pressure on Balance of Payments (BoP)
- Rise in inflation
- Risk of depletion of foreign exchange reserves

48 Foreign Investment

Foreign Investment

- An investment by a foreign individual, institution or government in the economy of another country
- **Objective** - To earn a profit or obtain economic benefit

Types of Foreign Investment

Foreign Direct Investment (FDI)

- Investment made by a company of one country in another country
- Directly invested in the factors of production
- Long-term investment
- **Characteristics** - Investment of more than 10% (of company shares)

Current Statistics (FDI)

- $81.04 billion in FY 2024-25, an increase of 14%
- India's total FDI (since 2000) reaches $1 trillion

Top Countries & Sectors (of FDI)

Countries	Sectros/Areas
Singapore (30%)	Services Sector (19%)
Mauritius (17%)	Computer (16%)
USA (11%)	Trading (18%)

Types of FDI

- Brownfield Investment-Investment in a pre-organised entity (company)
- Greenfield Investment - Investment in the development of a new unit or infrastructure

Components of Foreign Direct Investment

- **Equity Capital** - Relating to the purchase of shares in an enterprise of a country other than one's own country
- **Reinvested Income** - That portion of the earnings of direct investors which is not distributed as dividends by the associates of the company and reinvested
- **Intra-Company Loan** - Short-term or long-term borrowings between direct investors and associated enterprises

Effects of FDI

- Increase in employment
- Technology transfer
- Infrastructure development
- Competition among domestic industries

Key Initiatives to Promote FDI

- Make in India and Self-Reliant India Campaign
- Product Linked Incentive (PLI) Schemes
- Good initiative of India in global supply chain
- Liberal and attractive policies

Path to FDI

Automatic Approval Route

- No government permission required
- Managed by RBI

Government Special Economic Zone

- Approved by Foreign Investment Promotion Board (FIPB)
- FIPB approval given with the consent of various agencies like RBI, CBI, ED, etc.

Sectors with 100% FDI Allowed

- Space
- Telecommunication
- Financial Companies
- Hotel and Transportation
- Electricity (other than nuclear energy)
- Insurance (automatic in some cases)
- Coal Mining
- Tea Plantation and Industry
- Food Products and Retail Trade
- Agriculture
- Alcohol, etc.

Foreign Portfolio Investment (FPI)

- Investments only in shares, bonds or other securities
- Short-term investments (temporary)
- No ownership and control

Current Statics (FPI)

Foreign Portfolio Investment (FPI) at $44.1 billion in FY24

Foreign Institutional Investment (FII)

- Investing in foreign markets (stock market of another country)
- Investment in the form of bonds, mutual funds, etc.
- Short-term investment
- More ups and downs

49 Important Committees

Major Committee	Formation/Objective	Suggestions/ Recommendations
Narasimham Committee I	August, 1991 Headed by former RBI Governor M. Narasimham 9-member committee	Banking structure 4-tier → 3-4 large banks with State Bank at the top → Rural bank at bottom level Expansion of rural banks to rural areas Recommendation to end licensing policy Gradual reduction in SLR Target for achieving 8% capital adequacy ratio
Narasimham Committee II	26th December, 1997 To review all aspects related to financial structure, organising and functioning	Full capital account convertibility of rupee Increase in capital adequacy ratio
Damodaran Committee	2010	Remove the concept of minimum balance Make essential banking services free
Shyamala Gopinath Committee	2010	Recommended closure of Kisan Vikas Patra (KVP) Increase interest rates on post office savings schemes
Khandelwal Committee	Improve human resource efficiency in banks	Human Resource Management Performance management Reward system Succession planning and leadership development

Committees Formed by the Reserve Bank of India

Jalan Committee	September, 2013 To review India's economic capital framework	For review applications recevied for new bank permits
Urjit Patel Committee	2013 To make recommendation for revise and strengthen the monetary policy framework and make it more effective	CBI based rate at the centre of monetary policy Abolition of the practice of fixing official prices for various commodities
M. V. Nair Committee	To propose guidelines regarding classification and review of priority sectors in lending and related issues	The target for agriculture and allied activities should be 18% of ANBC or CEOBE, whichever is higher The Micro and Small Enterprises (MSE) sector should continue to be included in the priority sector
Nachiket Mor Committee	22th September, 2013 To give suggestions on connecting every citizen of the country to the financial system Total members : 13	By 1st January, 2016, every adult citizen should have a bank account Provision to open bank accounts with Aadhaar number, Open new payment banks to provide loans to the poor and small entrepreneurs
Deepak Mohanty Committee	15th July, 2015 Medium Term Path Committee on financial inclusion, to prepare a 5-year plan for financial inclusion	Banks should make efforts to encourage account opening for women Strengthening the Financial Literacy Centre network Making mobile banking facilities more efficient and extensive

Other Important Committees

Swaminathan Committee	Population Policy
Janakiraman Committee	Securities Scam
Rekhi Committee	Indirect Tax
Sarkaria Committee	Centre-State Relations
Goswami Committee	Industrial Sickness
Mahalanobis Committee	National Income
Rangarajan Committee	Balance of Payment
Raja Chelliah Committee	Tax Reforms
Malhotra Committee	Insurance Sector Reforms
Khusro Committee	Agricultural Credit
Goiporia Committee	Bank Services Reforms
Bhurelal Committee	Evaluation of Motor Vehicle Taxes
Bhandari Committee	Functioning of Regional Rural Banks
Sachar Committee	Study on the social, economic, and educational status of Muslims
Suresh Tendulkar Committee	Poverty
S. Tarapore Committee	Capital account convertibility of the Rupee
Abid Hussain Committee	Small-Scale Industries
Dr. Kirti. S. Parikh Committee	Pricing System of Petroleum Products
B. S. Vyas Committee	Agriculture and Rural Credit Expansion
Mahajan Committee	Sugar Industries
Satyam Committee	Textile Policy
Meera Seth Committee	Development of Handicrafts

50 Major International Organisations/Institutions

World Bank

Establishment	In 1944 (Operational start in 1946)
Headquarters	Washington DC (USA)
Members	189
Objective	Providing loans for reconstruction and development work of member nations

World Bank Group

Group of five international organisations

Work

Providing financial advice and assistance

- International Bank for Reconstruction and Development (IBRD)
- International Finance Corporation (IFC)
- International Development Association (IDA)
- International Centre for Settlement of Investment Disputes (ICSID)
- Multilateral Investment Guarantee Agency (MIGA)

Organisation	Establishment	Headquarters	Members	Objective/Main Function
International Monetary Fund (IMF)	27th December, 1945	Washington	191	Facilitating economic development and foreign exchange of member countries, promoting international trade
Asian Development Bank (ADB)	1966	Manila (Philippines)	69	To ensure economic growth, poverty alleviation and social and economic development
New Development Bank (BRICS Bank)	2014 (By BRICS Countries)	Shanghai (China)	09	Alternative financing for emerging economies
OECD	1961	Paris (France)	38	Organisation for Economic Cooperation and Development
Asian Infrastructure Investment Bank (AIIB)	2016	Beijing (China)	110	Financing infrastructure projects in Asia and other regions
European Union (EU)	1993	Brussels (Belgium)	27	Control of common economic, social and security policies for member countries
World Trade Organisation (WTO)	1995	Geneva (Switzerland)	166	Making global trade smooth, predictable and free; Global trade policy making, dispute resolution
G-20	1999	—	21	Global coordination on trade, health, climate and other issues
G-24	1971	Washington DC (USA)	28	Efforts to promote the interests of developing countries in the World Bank and IMF
SAARC	1985	Kathmandu (Nepal)	08	Development of mutual economic and cultural cooperation, exchange of technology and promotion of mutual cultural relations
ASEAN	1967	Jakarta (Indonesia)	10	To accelerate economic progress in South Asia and promote mutual economic, political, cultural and technical cooperation
BIMSTEC	1997	Dhaka (Bangladesh)	(Initially) 4 (Present) 7	Promoting trade, investment, industry, transport, science and technology, agriculture and tourism for mutual cooperation
NATO	1949	Brussels (Belgium)	32	Maintaining a balance of military power
Commonwealth	1926	London (Marlborough House)	56	Safeguarding the mutual interests of former colonies
Red Cross	1863	Geneva (Switzerland)	192	Protection of human life and health 3 times Nobel Prize (for peace) (1917, 1944, 1963)
World Health Organisation (WHO)	1948	Geneva (Switzerland)	194	Promoting health and keeping the world safe